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A.I.D.'S PRIORITIES: TIME FOR A CHANGE

HEARING

BEFORE THE

INTERNATIONAL TASK FORCE

OF THE

SELECT COMMITTEE ON HUNGER

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, JULY 25, 1990

Serial No. 101-22

Printed for the use of the Select Committee on Hunger

U.S. GOVERNMENT PRINTING OFFICE
35-272 WASHINGTON : 1991

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H961-11.

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A.I.D.'S PRIORITIES: TIME FOR A CHANGE

WEDNESDAY, JULY 25, 1990

House of Representatives,
International Task Force,
Select Committee on Hunger,
Washington, DC.

The task force met, pursuant to call, at 9:30 a.m., in room 2220, Rayburn House Office Building, Hon. Byron L. Dorgan, [chairman of the task force] presiding.

Members present: Representatives Hall, Penny, Long, Gilman, Bereuter, Upton, Wolf, and Smith of New Jersey.

OPENING STATEMENT OF HON. BYRON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. Dorgan. We will call the hearing this morning to order.

Other members of the task force will be present, have indicated they will be participating in the hearing, but in the interest of time, I want to begin promptly.

We have this morning a hearing on A.I.D.'s priorities. We have a list of four witnesses. The first panel is Reginald J. Brown, Assistant Administrator, Bureau for Program and Policy Coordination of A.I.D.; accompanied by another gentleman who will testify, William Ramsay, Deputy Assistant Secretary for Energy Resources and Food Policy, the Bureau of Economic and Business Affairs, Department of State.

We welcome both of you gentlemen with us. When you have completed your testimony, we will have a second panel, which will include John Sewell, the president of the Overseas Development Council; and Peter Hakim, the staff director of The Inter-American Dialogue.

Prior to hearing the two witnesses from the administration, I would like to offer a statement, and it is a rather lengthy statement, so you will bear with me, I hope, and understand that the purpose of the statement is to set a framework for the discussion this morning.

The Hunger Committee has called the hearing to find out the priorities of the administration, what priorities it will give to fighting hunger and poverty in developing countries as A.I.D. priorities are reordered in the post-cold war era.

We want to discuss what resources will be allocated to programs which directly relate to feeding people, reduce hunger and malnutrition, food production, food aid, programs with the potential to reduce malnutrition, such as primary health care and child survival, population, basic education, women, and development. In other words, we would like the administration to share with us what is your hunger budget.

For many years, Congress has urged the administration to place greater emphasis on promoting development in truly poor countries and targeting more resources on meeting basic human needs. The fiscal year 1994 A.I.D. appropriations bill says it clearly. It says, "The Congress finds that reduction of poverty on a global basis is a fundamental goal of the U.S. foreign policy assistance."

Last month, the Committee on Appropriations, in its report on this year's foreign aid bill, charged that A.I.D. showed "insufficient concern with poverty issues." It admonished A.I.D. in allocating scarce resources to use as "one of its most important criteria, the need and commitment of governments to alleviating poverty and promoting basic human needs."

To most of us in this House, it is fundamental that our development efforts be judged by their impact on the dignity and welfare of the poor in developing countries. Does the administration see alleviating poverty and fighting hunger, malnutrition and disease as priorities? Does the administration agree with the World Bank when it characterized the prevalence of global poverty as shameful?

Frankly, many of us in Congress are skeptical that the administration is committing to reshaping foreign aid through improving the lives of those in most need as the center of its concern. Despite the end of the cold war, the administration foreign aid request for fiscal year 1991 maintained the old priorities. Promoting development in the world's poorest countries was not high among them.

If the administration's priorities had prevailed, military and related security aid would have been increased by 3.9 and 4.6 percent, respectively, over the previous year, while bilateral development aid for poorer countries would have, in fact, been cut. Thus, the objectionable trends of the 1980's would have continued.

Since 1980, military aid is up about 24 percent in constant dollars, related to economic support funds for political and strategic purposes. They are up about 38 percent. Development aid is up only about 2 percent. Food aid down 26 percent in constant dollars, and assistance to Africa, which is the poorest region with escalating hunger problems and the world's highest infant mortality rate is down 1 percent.

Under the administration's fiscal year 1991 budget request, economic aid to low-income countries would have been about 84 cents per capita. For middle-income countries, about $4.25 per capita, and for high-income countries, $258. That would have continued a policy which placed the United States next to last among the world's industrialized donors in the percentage of economic aid directed to the world's poorest nations.

The U.S. House, in voting the foreign aid appropriations bill this year, pointed out to the administration that we feel they should travel a different direction in the 1990's. Reduce military aid in order to significantly increase funding for Africa, for child survival, for UNICEF, for health population planning, for overseas refugees and more.

I am strongly supporting an amendment by Congressman Gejdenson, H.R. 3950, which recognizes our Food for Peace Program, and reauthorizes—excuse me, reorganizes and reauthorizes part of our Food for Peace Program.

The amendment Mr. Gejdenson is offering is important both in its own right and as a building block in the structure of the new foreign aid program over the past cold war era.

The amendment puts the poorest countries at the center of our concern by providing them food aid on a grant, rather than on a loan basis.

A.I.D. is instructed to allocate food on the basis of need, including the crucial under 5-year-mortality rate, the willingness of the recipients to use the aid effectively and to promote food security. These sound like very unremarkable criteria, but they are ones which largely were neglected during the cold war, in my opinion.

The Hunger Committee and colleagues, mine, Chairman Hall, and Representatives Bereuter and Penny and others are responsible for an initiative whose philosophy can be seen in the Gejdenson amendment, and I am privileged to have been a cosponsor of that bill as well.

In addition to this reform of the old title I program, I would also like to advocate increases in title II food aid. During the cold war, it was perhaps understandable that the strategic and political considerations would dominate our assistance priorities. Nevertheless, those cold war priorities also led to substantial waste and abuse and in the poorest countries, they failed to spur development.

From 1980 to 1990, we gave $3.9 billion in aid to El Salvador, despite that government's sad human rights record. Even title I food aid was allocated to serve military objectives. It is not surprising, then, that foreign aid lost support among the American people and in Congress.

If foreign aid is unpopular, one of the reasons is that Americans have little sense of what their dollars really accomplish. I was moved by a report by UNICEF recently which said that almost two-thirds of the 14 million children who die each year are killed by preventable diseases. UNICEF set goals for reducing infant mortality in the 1990's.

In a similar vein, a distinguished international group of development specialists meeting in Italy set goals and strategies for sharply reducing hunger and malnutrition in the roughly 450 million households where there is not enough to eat.

I cite these examples not to assert that the goals in question can be achieved, but I suggest that the administration and Congress owe it to the American people to tell us what we aim to achieve. What does A.I.D. aim to achieve with the funds it will be requesting? Tell us what the impact of your hunger budget would have on the lives of poor people.

Such action could not only improve management, but increase, in my opinion, public support for foreign aid.

No one would argue with the proposition that governments must adopt sound macroeconomic policies to create an environment within which economic growth can occur. However, as we have seen in the United States over the past decade, growth, in and of itself, does not assure equity. We have more hungry and we have more homeless in this country, despite many, many months, unprecedented months of economic growth.

The assumption that a rising tide raises all boats does not necessarily always ring true.

I have been struck recently by the emerging phenomena of the new post-cold war era, the tendency of Germany and Japan to make independent decisions on major issues of concern to Americans. In the 1990's, the importance of European and Far Eastern views on aid and trade issues will continue to grow. U.S. bilateral aid as a percentage of aid provided by multilateral institutions will continue to fall.

Congress has repeatedly urged the World Bank to pay more attention to poverty issues. Last year, we passed Public Law 101–240, which directed the administration to advocate that the World Bank adopt as a major objective the increase of the productive role of the poor in the economies of developing countries and the development of strategies to enhance human resources.

At a Hunger Committee hearing last month, we heard testimony that the Bank appears to be responding. For example, the Bank, in a recent report, said, "In addition to sound macroeconomic policies, we need a development strategy which is people-centered, one in which meeting basic human needs and developing people's abilities are top priorities."

Does A.I.D. agree? Is the administration providing leadership to the Bank and other donors? In A.I.D.'s congressional presentation this year, it is said assistance to African countries will be concentrated on those with the most growth potential, on high performers. Will A.I.D. also take need into account in allocating resources. Will A.I.D. consider whether the recipient government is serious about combatting poverty?

Finally, if our bilateral economic aid program is to have continued relevance, it must be motivated by vision which influences other governments and institutions. We will not be able to effectively leverage our aid if we continue priorities and policies of another era.

Throughout history, there have been periods in which international relationships have been frozen, allowing leaders few, if any, options for new constructive initiatives. There have been times of flux in which individual decisions have shaped the future.

Today, the administration is understandably focusing its energies on trying to build new structures in Europe to replace East/West division of the cold war. However, we will fail in our moral and diplomatic responsibilities if we slight the needs of the billions of our foreign human beings who, through an accident of history, live in poverty in developing countries.

We have a rare opportunity now to change assistant priorities and improve our lives. I hope our discussions today and in the coming months will help the administration begin to construct a foreign aid program which reflects our country's best humanitarian values, one in which all Americans can take pride.

I look forward to learning today how we can shape a genuine hunger budget with the cooperation of A.I.D. and the administration.

[The prepared statement of Mr. Dorgan appears at the conclusion of the hearing, see p. 50.]

Mr. DORGAN. I have some charts today. Let me just refer to them and then I will ask other members for any beginning statements and we will call on our first witnesses.

Let me refer to them very briefly because it describes what I have tried to express concern about.

The middle chart, "Trends in Foreign Aid."

It starts in 1988. Had we started it, and we should have started it, I think, perhaps back in 1980, you would have seen less of a gap between those lines. What you see in 1988 is a very substantial gap between military assistance and development assistance and food aid, and you see the gap not growing better, but growing worse.

That visually is what my concern is with respect to the so-called hunger budget or lack of a hunger budget in our Government's priorities.

The map over to the right, or the chart on the right, "Where does the U.S. Economic and Food Aid Go?" Who are the winners and the losers?

You will see among the top five, the shaded areas are the lowest income areas of the world, where predominantly hunger exists in the greatest magnitude. You will see the winners, at least with respect to the top five are not anywhere near those shaded areas, and when you take a look at the top 25, it is not where, by and large, the U.S. economic and food aid goes.

Finally, the chart on the far left compares where our dollars are moving, where the top recipients are and compares it to the needs, particularly related to infant mortality rates.

[The charts referred to above appear at the conclusion of the hearing.]

Mr. DORGAN. We see once again a skewing of where our dollar is moving and I offer these charts simply to tell you what I have tried to say in my opening statement. Many of us are very concerned about the direction, about the priorities. We would like to see the Congress, in its direction in the appropriations bill, and A.I.D. and State can agree on basic goals on how we spend our money in support of assisting people around the world who are poor and who need our help.

I would be happy to recognize Mr. Bereuter, minority member of the committee.

OPENING STATEMENT OF HON. DOUG BEREUTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. BEREUTER. Thank you, Mr. Chairman. I do look forward to the testimony and especially to an opportunity to raise some questions, and I thank you for the excellent statement and presentation that you have made on behalf of the committee.

Mr. DORGAN. Mr. Bereuter, thank you very much.

Let me recognize the chairman of the full committee, Congressman Hall.

OPENING STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. HALL. Thank you, Mr. Chairman.

I appreciate very much your diligence and your leadership on this committee and especially this hearing today. It is a very timely hearing.

I do have a statement. I will read part of it and I will start by saying that the main interest of the Hunger Committee has been and will remain people. We believe that A.I.D.'s goal should be to help poor people in developing countries to help themselves. While helping to reform government policies is an important A.I.D. function, it is not the whole picture. Developing a stronger economy in developing nations is also important, but that is not the whole picture, either.

A.I.D. programs must give priority to improving the lives of the poorest people in the developing world. If we create a Third World economy that only some people are able to participate in, we also create a permanent Third World underclass that locks out the poor and assures that they will always remain poor.

The Hunger Committee has just returned from a trip to Panama and Peru, where we saw two very different A.I.D. approaches to development. In Peru, we found a program that met and supported the needs of the poorest Peruvians designed to help and feed people through a variety of programs focused on the informal sector.

The A.I.D. program in Peru, we felt, was really meeting the needs of a lot of people there. Now, we were only there 2½, 3 days and we are not experts on the country, but we were very impressed with what we saw. As an American, I was proud of what my country was doing to help people in need. We were taking a little bit of food aid and they were using it in a variety of ways. It was an excellent thing to see.

In Panama, by contrast, where I was told that estimates of child malnutrition were between 30 and 70 percent, the program was not directed at their needs, but instead at trying to jump-start the economy. It is kind of the old trickle-down theory.

In a country where teachers don't ask children to stand in class because they often faint from hunger, it doesn't make sense to spend all of our resources on jump-starting the economy. The economy is made up of and by the people and if the people don't have enough to eat, I don't care how much jump-starting you are going to do, the economy isn't going to make it.

A.I.D.'s priority ought to be to support the health and the education of those children and their parents because they are really going to be the backbone and muscle that is going to build the country.

First, give the people enough to eat and decent health care and first give the children food so they don't faint in school, then jump-start the economy.

So I came back from Latin America with some praise and some questions about the direction A.I.D. is moving in and I am very grateful to the chairman, Mr. Dorgan, for convening this important hearing today and I look forward to hearing from the witnesses.

Thank you.

[The prepared statement of Mr. Hall appears at the conclusion of the hearing, see p. 55.]

Mr. DORGAN. Mr. Hall, thank you very much.

Mr. Penny.

OPENING STATEMENT OF HON. TIMOTHY J. PENNY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PENNY. Thank you, Mr. Chairman. I just have a few remarks.

I wrote recently to the Director of A.I.D. concerning the topic of this morning's hearing, raising questions about the amount of A.I.D.'s effort that is going toward small enterprise loans or, for that matter, loans of any size for purposes of individual business enterprises.

I also had some concerns about the limited amount of assistance that was going to assist women beneficiaries and what I felt was a lack of appropriate emphasis on the fundamental objectives of our foreign aid effort which I believe in most of these poor developing countries would be land reform, microenterprise credit, and child survival.

So I appreciate your holding this hearing to give us an opportunity to focus more on those initiatives and look forward to the testimony.

Mr. DORGAN. Ms. Long.

Ms. LONG. Thank you, Mr. Chairman. I have no statement, but I am looking forward to the testimony, and thank you for holding this hearing.

Mr. DORGAN. Mr. Upton.

Mr. UPTON. No statement.

Mr. DORGAN. Mr. Wolf.

Mr. WOLF. I have no statement.

Mr. DORGAN. All right, thank you for your patience. We will ask for testimony from Mr. Reginald Brown, Assistant Administrator, Bureau for Program and Policy Coordination, U.S. A.I.D. Mr. Brown, we will ask you to summarize. We will include your entire statement as part of the permanent record and you may begin.

Thank you very much.

STATEMENT OF REGINALD J. BROWN, ASSISTANT ADMINISTRATOR, BUREAU FOR PROGRAM AND POLICY COORDINATION, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. BROWN. Thank you, Mr. Chairman. I appreciate being invited here this morning. I have a brief statement to make.

The Agency for International Development is at the forefront of human, social, and economic development programs in developing countries. The alleviation of both the symptoms and the causes of poverty and hunger constitute central themes in our program. This is why we rely on the counsel of this committee to help guide and reinforce our work.

We, all of us in the development community, can be proud of the gains achieved in the world of development assistance. Smallpox has been eliminated from the world. More than one-half the children in developing countries enter primary school. Millions of children are alive today because of child survival programs. People throughout the developing world are living longer, as much as 10 to 20 years longer, and the massive food shortages projected for India and Bangladesh in the 1970's have been averted.

In some countries, life really is a lot better than it was 20 years ago. But in other countries, misery and violence are rampant. Where there is little underlying economic progress, gains in health care, literacy, sanitation and shelter are slipping away. Poverty is casting a longer and longer shadow.

Some 20 years ago, the A.I.D. mission in Ethiopia was optimistic because solid progress was being made, particularly in agriculture. Today, simple survival is a daily struggle for most Ethiopians.

Understandably, our instinct as human beings is to rush to fix conditions of hunger and deprivation. This is one of the reasons that our disaster work is so gratifying. American largess is distributed to grateful victims in their time of need. After an earthquake or flood, the U.S. response is invariably quick and effective. Yet, when it comes to long-term development, there is no such thing as a quick fix.

Development money can be sadly wasted if we succumb to the temptation to address the symptoms of poverty, rather than the causes of poverty. For instance, if we provide inoculations for children, but fail to make inoculations part of the health care delivery system in the developing country, we protect one child, but brothers and sisters of that child, as well as future generations of children, go unprotected.

Our commitment to attacking the root causes of poverty is why so much of our attention must be devoted to the longer-term consequences of our foreign assistance programs. If we are to really break the cycle of poverty, not simply make poverty more tolerable, we must also attack the economic and social policies which feed this disease.

These policies are policies that hinder the ability of low-income groups to better themselves, that keep agricultural prices artificially depressed and subsidize programs aimed at the urban elite, policies that encourage the squandering of natural resources and actually support exploitation for short-term gain, policies that ignore individual property rights of citizens and actively discourage new businesses and competition through harshly unrealistic licensing procedures, driving the poor into an underground economy.

Experience has shown that where higher incomes can be generated, better diets follow, as does better health care, education and the like. Higher incomes, of course, are attributable to a healthy expanding economy. We also know that with an increase in the availability and consumption of food, productivity, both physical and mental, increases. This increase in productivity further fuels economic growth. In time, this cycle becomes self-sustaining. Benefits spread in an ever-widening circle.

Once a country is firmly launched on this path of economic growth, and people have the wherewithal to secure basic needs, there is a lessened dependency on foreign assistance. We would like nothing better than to be put out of business because our clients are no longer in need of our services.

To be sure, many of our programs have a direct role to play in addressing the multifaceted symptoms of poverty, such as hunger, malnutrition, disease, unemployment, illiteracy, and homelessness. Food aid is one such mechanism for directly attacking hunger and malnutrition. U.S. food aid programs, for instance, offer a mechanism to translate into action the concern which Americans have for the poor in developing countries.

Food aid is provided for emergency assistance resulting from wars, famines, earthquakes, and other natural or man-made disasters, and to alleviate chronic malnutrition which mostly affects pregnant and lactating mothers and small children, and for longer-term development programs designed to eliminate the causes for hunger.

As such, food aid has become a recognized, legitimate development resource in its own right.

Other activities have a less direct, but nonetheless critical role to play in our strategies for alleviating hunger and poverty. Family planning, for example, is a vital component of any comprehensive plan to attack hunger and malnutrition. Undernourished children are 20 times more likely to die than well-nourished children in the same environment.

The United States still maintains the lead among the world's donors in providing family planning assistance, presently at 46 percent of the world's total population assistance.

Health programs are another example of hunger-related initiatives. We know that high exposure to disease, coupled with low resistance due to malnutrition and poor preventive, promotive and curative health services reduces the nutritional benefits of the food that is ingested. Seventy-five percent of the funding for our health-related programs goes for primary health care activities.

But these activities will have little lasting impact if improvements last only as long as the life of the project. Beyond wasted resources, short-lived project benefits can result in hopelessness and cynicism on the part of the poor themselves. The impact of short-sighted development projects can be far more cruel than that which is revealed in an unfavorable audit.

We must maintain a careful balance between short-term interventions which ease the conditions of hunger and deprivation with longer-term efforts toward economic growth and sustainability.

Too heavy a concentration of effort on resources on either side of this continuum can in the end cripple our endeavors. Apropos to this discussion, I have read the recent World Bank study, the "World Development Report of 1990," which suggests, and I quote: "that rapid and politically sustainable progress on poverty has been achieved by pursuing a strategy that has two equally important elements. The first element is to promote the productive use of the poor's most abundant asset, labor. It calls for policies that harness market incentives, social and political institutions, infrastructure and technology to that end.

"The second is to provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important."

Within our finite resources, this is precisely how we are approaching development. Our challenge is to have the capacity to aim these limited resources to those developing countries which have a commitment to reduce poverty and a willingness to adopt policies and programs to meet this commitment.

I will be happy to take your questions.

[The prepared statement of Mr. Brown appears at the conclusion of the hearing, see p. 60.]

Mr. DORGAN. Mr. Brown, thank you very much for your statement.

I would like, as a matter of order, to ask Mr. Ramsay to offer his statement as well and if you are both able to stay, we could then proceed to questions.

Mr. Ramsay, would you proceed? Your full statement will be made a part of the permanent record and you may summarize.

STATEMENT OF WILLIAM C. RAMSAY, DEPUTY ASSISTANT SECRETARY, INTERNATIONAL ENERGY, RESOURCES AND FOOD POLICY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. RAMSAY. Thank you, Mr. Chairman. Thank you for the opportunity to speak to your committee on how to fight world hunger and malnutrition in the post-cold war era.

I am the Deputy Assistant Secretary for International Energy, Resources and Food Policy at the Department of State and, as such, oversee the Department's participation in the interagency food decisionmaking process.

My comments today will discuss primarily the role of our food aid programs and our commitment to fight world hunger and malnutrition. The programs to which I will refer are those carried out under Public Law 480 and under section 416.

The fundamental aim of food aid is to combat hunger and malnutrition and to provide emergency food to countries devastated by either natural or man-made disasters. The flexibility embodied in current food aid legislation has been invaluable to this end and is enabling us to respond rapidly and efficiently to unforeseen emergencies.

The Department of State's commitment to combat hunger and malnutrition over-rides the range of other policy objectives served by the food aid programs. Illustrative cases include our strong support for major food aid in Ethiopia and Mozambique, countries which we have had difficult diplomatic relations. We have provided over $600 million in food aid to Ethiopia and more than $150 million to Mozambique since 1981.

Our efforts here emphatically demonstrate the primacy of our goal to combat hunger and malnutrition wherever possible. Beyond combatting hunger, food aid also addresses economic development, privatization, market development, balance of payments problems, and a range of other foreign policy objectives.

Title II programs run by PVO's and by the World Food Program are particularly effective in implementing direct feeding for humanitarian purposes. These programs provide food to pregnant women, nursing mothers, infants and children, the most vulnerable groups.

Mr. Chairman, throughout the world, and despite our commitment to combat hunger and malnutrition, there are limits to effective action by the United States and other food aid donors. Logistics is a case in point. The lack of infrastructure, whether organizational or physical, often can constrain our ability to get food aid into an area affected by a natural disaster or man-made emergency. Limited absorptive capacity is another major problem.

I think in recent days, we may have been seeing some of this kind of problem with Ethiopia in discussions about the ships offshore Ethiopia and how to handle their access to Massawa along the coast. This is something we may get into later. It is a classic example.

Before signing any food aid agreement, we make a careful determination that our assistance will not result in a disincentive to domestic production or marketing in a recipient country. We also ensure that the recipient has the ability to use the food and the storage and distribution capacity is adequate to handle it.

A second constraint on assistance to the hungry comes from the rigidities in current legislation. Title III, for instance, provides grant assistance to governments which take certain reforms, but the amount of paperwork required to develop and monitor such a program discourages many of the poorest countries from even trying to use it.

At the present time, only Bolivia and Bangladesh are implementing this worthwhile program because auditing requirements for local currency uses are so complicated.

During the past year, there has been considerable discussion of our food aid legislation as Congress prepares to reauthorize the program. Congress has been consistently generous over the years, providing a relatively stable $1.5 billion for Public Law 480 titles and more in additional programs. Over the years, many countries have graduated from food aid, while others have expanded their ability to meet the needs of their undernourished populations.

The level of food aid available in the world is about right and surge capacity exists to meet the unexpected.

We are always responsive to food aid requests from needy countries and we go out of our way to meet the needs of the poorest African countries. Most of the problems we face in getting food to the world's hungry are beyond the water's edge and, in many cases, beyond the best efforts to date of A.I.D. and the PVO's and others to reach them.

Many of the legislative and administrative fixes we have proposed for improving the food aid programs are directed at facilitating our responsiveness to the most resilient cases of malnutrition and hunger.

The House currently has before it one of the most important pieces of legislation on the calendar, the farm bill. Many aspects of this bill are so important that the food aid title runs the risk of getting only limited attention, but if I might just take a moment, we have debated with the Congress on the advisability of restructuring the food aid programs, and like all worthy debates, there are good arguments on both sides, and there are many areas of agreement. But virtually every proposal for food aid reform shares the belief that there should be more grant aid. The administration supports this trend for the least developed countries, conditioned upon economic reform in the host country.

In Africa, we are converting programs to grant status and will continue to do so wherever appropriate. We should take the opportunity of floor action on the farm bill to do the best we can for the countries most in need. This means providing grant authority under title I with forgiveness of accumulated debt for these countries. It means greater flexibility on local currency programming to ensure that the first objective, feeding the people, does not get unduly caught up in redtape.

As Congressman Hall has testified previously before, many constituencies and objectives are served by our food aid, but central to it all must be special care for the most vulnerable. As a government, under the President's direct guidance, we remain committed to continue and improve our capacity to use food aid in an optimum fashion to accomplish these overall goals.

Thank you for the opportunity to present the Department's views and I would be happy to take any questions you may have.

[The prepared statement of Mr. Ramsay appears at the conclusion of the hearing, see p. 121.]

Mr. DORGAN. Mr. Ramsay, thank you very much for your testimony. We have a vote that is ongoing and Mr. Penny has gone over to vote and will come back to chair while we leave, but in the interim, I would like to call on the chairman of the full committee, who has some inquiries he would like to make.

Mr. Hall.

Mr. HALL. Thank you, Mr. Dorgan.

Mr. Brown, I would like to ask a question or two about Panama. When the bill was moving through, I think it was the supplemental appropriation, relative to Panama, Nicaragua, and some other things, there was $420 million put in that bill. What concerned me most was the fact that there were very little ties on the money, very little. It was given in a very broad way, a very general way as far as I was concerned. From what we heard when we were in Panama, the money is going to be used to jump-start the economy, and I think that is probably a good thing, if, in fact, we can rely on it. However, during the course of the bill moving through the legislative process, Mr. Obey and I had a colloquy on the floor on the part on food aid. We felt that a portion of it, a very small portion, $20 million, should go to the health concerns, opening up health clinics, the malnutrition, especially the problems relating to the children.

When I raised that legislative history to some of the A.I.D. people and some of the people at the State Department, I believe, prior to going to Panama, there seemed to be a question mark in their minds. It seemed to me they never heard of it. When we were in Panama and speaking to Mr. Hinton, the Ambassador and the new A.I.D. Director down there, it was like I was from another planet. I was getting nowhere.

Have you decided against money going to children and malnutrition and health clinics in Panama?

Mr. BROWN. Mr. Congressman, I am unaware of the exact details of these conversations, but the overall purpose of the Panama assistance, as you well noted, was very short-term activity and not intended to be long term. The notion of jump-starting the economy aptly describes the intent behind it.

On the specifics of the particular question that you raised regarding malnutrition, I would have to get back to you with an answer.

Mr. HALL. Would you take a good look at that?

Mr. BROWN. Yes.

[The information appears at the conclusion of the hearing.]

Mr. HALL. That is very dear to the hearts of many of us in the legislative process.

I am very concerned about that money. That is a lot of money for 2 million people. That is a tremendous amount of money, $420 million for a country like Panama. Now, I hope it serves its purpose, but some of that money needs to go to the children and to opening up some of the health clinics. They have had one of the best health programs in South America. Before 1987 they were starting to rival Costa Rica, et cetera, so I hope that you will think about that and direct some of your people to take a real good look at that, especially in light of the alarming statistics that we heard relative to health care, the malnutrition of children.

Mr. Ramsay, you make a statement here that the Department of State's commitment to combat hunger and malnutrition over-rides other diplomatic considerations. I think in some countries that is the case, but if you look at countries like Egypt and El Salvador, for example, where some of your people were saying, "We are trying to stuff as much food into that country as we can stuff," when, in fact, they didn't really need that Public Law 480. I am sure they could use it there, but it was needed much more in other parts of the world. That, to me, was certainly a diplomatic consideration. That is, food was needed more elsewhere.

How do you address that question?

Mr. RAMSAY. That is perennial question that comes up when the foreign policy dimension of a food aid program looms large on the screen, as it does in those places and in others. You have to look at the foreign policy motivation and decide whether it was worthy of the food aid program in its own right.

I think you can separate that issue from whether that food is being denied to other worthy purposes. I think the way to approach, in my mind, the distribution of food aid to the masses that appear on the charts to be uncovered is: Can we get at them? Do we have the programs in place? Do we have distribution systems that we can use? Are we not answering the calls of the PVO's or the A.I.D. missions in-country? Are there some other things that we could do in those countries that need the food aid that we are not doing, which is, I suspect, exactly the purpose of the hearings today.

If we have resources we can shift out of this upper military assistance line that could actually be moved because they no longer serve any purposes in that upper line, move them to development assistance and to welfare assistance. Can we generate the programs necessary to get those foods into the populations in gray? I don't think that necessarily detracts from the fact that there will be other reasons for food aid in cases like Panama, El Salvador, Egypt, Congo and places where we are trying to achieve other objectives which have every bit as humanitarian a dimension to them as direct feeding.

If you consider just the example of Congo, where we essentially rewarded or appeared to reward President Sassou-Nguesso with food aid because he was convening the Cubans, Russians, Angolans, Americans and others to Congo to talk about peace in Angola. I think there is a very, very broad humanitarian dimension to that effort, which, in the appearance of the food aid to Congo, doesn't appear. They don't lend themselves to simple analysis of whether we are denying food aid somewhere else because it happens to be El Salvador or Panama.

Mr. **Hall**. I would like to pursue this and I think the other people, especially Mr. Bereuter, would like to pursue this question, particularly as it relates to the farm bill, which we are trying to change some things relating to Public Law 480, but I need to go and try to make this vote.

Thank you.

Mr. **Penny** [presiding]. Zaire is the second largest single recipient of development funds for African money. Many consider the Zairean Government notoriously corrupt and inefficient. You have said that the development assistance should be used as effectively as possible.

How do you justify the Zaire program on those grounds, Mr. Ramsay?

Mr. **Ramsay**. How can one do this satisfactorily? The Mobutu regime has had its fairly sharp edges for as long as it has been there and it has been our effort over the years to improve human relations, improve the way the government is managed and improve the way things happen in Zaire to the extent that we can through the leverage we have available, whether it is food aid or development assistance or military assistance, and I think that the situation has gotten far less bad than it was. I am not trying to suggest for a minute that it is as good as it should be, but I don't think that it is an abuse to these kinds of developmental resources to try to get the Zairean people who are suffering under this regime, and using the access to those people and the availability of these resources to induce the policy reforms in that very difficult country.

I think, Congressman Penny, you have followed that country long enough to know how difficult it would be to find an alternate regime that would be any less bad, and so it is really finding yourself having to do the best you can.

Mr. **Penny**. What portion of the funds within Zaire are channeled through private volunteer organizations?

Mr. **Ramsay**. Sir, I don't think I have that off the top of my head.

Mr. **Brown**. A significant proportion, but I don't want to give an off the cuff answer.

Mr. **Ramsay**. We can provide that separately if you like.

Mr. **Penny**. That would be helpful.

[The information appears at the conclusion of the hearing.]

Mr. **Penny**. Do you have some general summary of the break-out of that assistance in terms of health, education, economic development, and small enterprise funding so we can get some sense of—Mr. Brown?

Mr. **Brown**. We will provide that for the record.

Mr. **Penny**. You don't have that at hand?

Mr. **Brown**. It will take me a while to dig it out.

Mr. **Penny**. While you are looking for that, Mr. Ramsay, maybe you can explain the apparent conflict between your assertion that the State Department's main goal is to combat hunger and malnutrition and the evident rise in military assistance during the decade of the 1980's and the constant level of funding for development and humanitarian assistance during that same time frame.

Mr. **Ramsay**. Sir, in my comments, I suggested that the hunger dimension of food aid was over-riding. I didn't say it was our primary objective of aid or of the disbursement of military assistance. That is to say, when a country comes in with a hunger problem, that issue over-rides diplomatic or other foreign policy objectives. You try to serve those at the same time, whether it is development, privatization, penetration of market or something else, but they become secondary to getting to the populations that are vulnerable.

That is not to suggest that these resources in the green line can be shifted effectively or could be, given the reasons behind the green line, could be shifted in any way to humanitarian assistance programs. Military assistance and its expansion over the decade of the 1980's had as much to do with Russians in Afghanistan and turmoil in Central America as it had to do with our desire to have that money out there. It is a response to that in many cases.

There are other motivations for foreign military assistance that—in the armed services process and the other committees of the Congress, you have heard suggested as sustaining those levels, but as was said earlier in the hearings, the fact that we are shifting from a fairly hostile decade of the 1980's to what could very well be a less hostile 1990's, there is no reason that we can't expect some of those resources to shift out of that and to be available for developmental efforts, purely developmental efforts.

Mr. **Penny**. As we look toward the administration's budget requests in the next few years, can you predict for us recommendations that your department will be making along those lines?

Mr. **Ramsay**. At this point in time, it would be very difficult. We, too, are going through the same process of analysis the Congress is going through in attempting to see how fast one can stand down. We have been, for the last 40 years, in what could be called this quasi cold war process, at varying degrees of heat and chill. If there has indeed been a shift in the last year or two, then it is going to take us time to restructure, to get the organizations in place to develop the programs and to begin to program additional sums for the kind of development you are talking about, if, indeed, we are going to be allowed the luxury of moving in that direction. By all indications, we are.

Mr. **Penny**. Mr. Brown, how well prepared is your Agency to advocate within the administration for that kind of a shift in the next number of years?

Mr. **Brown**. I want to be sure I understand your question.

Mr. **Penny**. I am trying to get a handle on who within the administration we can look toward to advocate the kind of shift that we think is going to be possible, away from military aid toward development assistance. Once you have answered that question, maybe I can ask specifically how that relates to anticipated food shortages in Africa and other parts of the world.

Mr. **Brown**. Let me reply by first noting that when you consider military assistance, as on the chart there, you are including the Economic Support Fund in your numbers. I am sure you are aware that a good portion of the Economic Support Fund is projectized and goes directly to support development assistance objectives. A significant portion of it isn't projectized, but in countries like Egypt, for example, the Economic Support Fund makes important contributions to development assistance.

So if we can get beyond the simple accounting distinctions and include Economic Support Fund contributions in the overall economic assistance portfolio, I think we would see some interesting differences in the distribution of assistance.

Mr. **Penny**. Do you document in such a way that it would be easy to distinguish the effect of those funds?

Mr. **Brown**. Absolutely.

Mr. **Penny**. And how would you break it out in terms of the economic support funds? What portion of that allocation would you identify as being tied almost exclusively to development needs and how much to military purposes?

Mr. **Brown**. I have some general numbers on the combination of development assistance, DA, DFA, and economic support funds (ESF) spending that goes to support what you would term as hunger objectives. Our estimates for fiscal year 1990 for agriculture and nutrition, the combination of the three types of accounts—DA, DFA, ESF—is $668 million. Basic education, $107 million. Natural resources, environment, including forestry, soils, agricultural land development and water projects, $287 million. Health and child survival, $319 million. Population and family planning, $268 million. These include contributions from the Economic Support Fund to these particular objectives.

The total package, DA, DFA, and ESF, for these types of activities is $1.6 billion or 25 percent of our overall budget. That includes a reasonably significant plus-up that comes from the Economic Support Fund which should be counted in the overall figures. I would point out that the above figures exclude Public Law 480 food assistance, which would raise the figure 25 to 40 percent of the A.I.D. managed budget.

Mr. **Penny**. I have been told that the charts that are displayed are a reflection of military funding only in that economic support funds were not used to show that disparity.

Mr. **Brown**. You don't have economic support funds on the chart, then.

Mr. **Penny**. Not included in the military account, although, as you have admitted, we all know that a good chunk of the economic support money does enhance or further the military assistance program, although some of that, as well, is diverted in a way to supplement some of these development assistance programs.

Mr. Chairman, you can take things back if you like.

Mr. **Dorgan**. Thank you very much. I think the questions that you are asking are the central questions that we want to ask in this hearing.

Let me focus a little more, if I can, with both of you. You represent the State and A.I.D. and hopefully the decisionmaking process in State and A.I.D. is a process we can evaluate a little bit here to try and understand what those charts mean.

You gave us some numbers of economic support funds and my understanding, and you might tell me whether I am right or wrong on this—my understanding is that a minuscule amount of economic support funds moves to the lowest-income countries and to Africa, 2 percent, 4 percent. Is that——

Mr. **Brown**. That is roughly true. I don't have the exact percentage.

Mr. **Dorgan**. When you take a look at the economic support funds structure, that fund itself is not contributing much to trying to resolve the questions of poverty and hunger in the lowest-income countries and the reason I make that point is that in response to the question about military assistance and direction, you were pointing out that the Economic Support Fund is a contributor to the whole series of initiatives that do good things and I don't doubt that, but it is not necessarily not much of a contributor to the kinds of assistance that do good things in the poorest countries of the world.

Would that be a fair statement?

Mr. **Brown**. As you have correctly pointed out, Congressman, the bulk of our assistance does not go to the poorest of the poor countries. You read off some numbers in your opening statement which gave the average of $0.84 per capita to the lowest—low-income countries and $258 per capita to the mid-to-upper income countries. These don't match precisely figures I have, but basically we provide our assistance in accordance with the national interests of the United States. Included in the figure, the $268 group, is aid to Israel, for example, where the contribution would roughly be $1000 per capita. I don't think anyone is suggesting that we significantly alter that aid program.

So, in one sense, the mark-up is a little unfairly construed because we have to take into consideration the wide range of our interests that are supported by a foreign aid program, including aid to the poor countries.

Mr. **Dorgan**. But if you take a look at the middle chart, you see that generally speaking, the trends are not very positive. The trends are fairly negative, and again, if we had gone back to 1980, you will see a substantial difference in that gap and the gap widening from 1980 on. If the trends are not positive here in the request for military assistance versus food aid and developmental assistance, why not, particularly given what is happening around the world, substantial changes in the world, and that leads to the basic question we are trying to get at here today.

Is the intent and the direction of State and A.I.D. in pursuing remedies for the poorest in the world and respond to refugees and the hungry and so on and so forth, is that in concert with what we see as trends in foreign aid up on that chart, and if not, why not?

Mr. **Brown**. I have some trouble understanding your trend chart. It does not include Economic Support Fund data. My data says that the percentages we are devoting to economic purposes was roughly the same as it has been historically for the past several years, up through this year's budget request, but it does include Economic Support Fund data. I would be happy to provide that for the record for you, if you would care.

Mr. DORGAN. Yes.

[The information appears at the conclusion of the hearing.]

Mr. DORGAN. For example, I have a chart here on military aid and if you take a look at growth in the 1980's, it has grown nearly 10-fold in Latin America and the Caribbean countries and so I guess what we are asking—it will take a while to get to the nub of it, I suppose—what we are trying to understand is what we have done in the past and what will we do in the future?

I honestly think that much of what was done in the past, and let's focus on Latin and Central America just for a moment.

What was done in the past, I think, was driven by a series of things that some people understood to be political objectives by this country. I mean, what is our—what are our vital interests in the region and how do we politically deal with that and what sorts of structures do we develop to deal with it, and I think there were some people who had radically different visions of that than I did in the 1980's. I understand that, and they won. We lost.

Somebody who says I want more military aid, well, 10 times increase, 10-fold increase military aid to one of the poorest regions of the world, and now the question is, in the future, given the new realities, what will those lines show in the future and who will make the decisions? Who is going to set the trends? Congress, the administration? If it is the administration, who in the administration?

Mr. Ramsay, how will State and A.I.D. go through the decisionmaking process about where you want those lines to go in the future? How much food aid versus how much military assistance and to which region?

Mr. RAMSAY. Sir, I guess that is a fundamental problem I am grappling with. First, let me explain that I come out of the part of the Department of State that manages the food aid process and I am not as well versed and should not speak too much to its military dimensions. I will get myself in trouble and get myself inconsistent with the administration's position, so I have to admit that I can't see why there are three lines on that chart.

We can't resolve the bottom line or even the second line by discussion of the green line. The green line lives on its own. It lives in different parts of the Congress. It lives in different parts of the administration. It has different motivations. Hopefully some of those things we won't have to contend with again in the 1990's.

It could be you could argue that with the détente that we are experiencing now into the 1990's, that the defense industries will not have sufficient domestic demand for the kinds of things that they build, that they are going to have to export even more and there will be even more military assistance in order to get the kinds of production runs you need to substantiate a defense industry. Who knows? But I don't think that is the place that we should focus our attention.

We ought to focus on the red line and the blue line. If our energies as a nation are less directed at defending democracy, advancing democratization and some of these things that have happened now, happily, may even happen in places like Cambodia, may even happen in places like Afghanistan, how do we advance our energies into those gray areas where we have not been able to deal much in the past or at least where we are not the primary food aid donor. When you talk about our distribution across the world, you have to superimpose on that others' distributions across the world, and you find that things even out to a certain extent.

The Europeans are in places we are not. We cover Latin America like a blanket; they don't, and so it evens out to a certain extent. How do we increase these two lines, the Public Law 480, the development assistance funds? It has to be broader than the Committee on Hunger. It has to be a consensus within the Congress and the administration that this now can be the key priority, and we can start shifting some of those national resources into these areas with the same fervor that we shifted them into democratization.

I don't know whether that enthusiasm is there. I think the administration would be happy to shift into those kinds of activities and to shift more resources——

Mr. DORGAN. Is the enthusiasm there in State?

Mr. RAMSAY. I believe so. I believe it very much is so, sir.

Mr. DORGAN. And the shift from the previous funding priorities to a greater emphasis, for example, on food aid and developmental assistance?

Mr. RAMSAY. Not if you are talking about shifting from military funding to those. I am talking about them in the absolute, emphasizing those and advancing those, improving those, making them better.

Mr. DORGAN. The difficulty, Mr. Ramsay, and I think Mr. Brown knows as well, the difficulty is—here is a graph that shows the development food aid obligations in constant and current dollars and it shows over a period of a decade a diminishing trend. Things are getting better; they are getting worse in our ability to contribute.

That green line—I understand that you don't come here hauling that green line on your back. I don't agree with you that it has a life of its own, however, but the green line determines how much is available in the blue and the red lines. That is a fact of life here in Congress and also in the administration, and I think what we are trying to get at is are the priorities that you and the administration see for food aid and developmental assistance priorities that will require folks in the administration to exhibit a great deal more enthusiasm in building the efforts to fund those because we are talking about resource-based strategies at the bottom. The ability to fund those, finding money from other areas in light of the new realities in the world.

Is that something that you see will be happening down at State and A.I.D?

Mr. RAMSAY. Regi has asked for the floor if I might. I will come back to it.

Mr. DORGAN. Yes. Mr. Brown.

Mr. BROWN. I think that the only way this question can really be answered is to put it in the context of the overall objectives of our foreign aid policy. Secretary Baker gave a speech at the confirmation of Dr. Roskens in which he identified what the challenges for foreign aid would be in the 1990's. If you would bear with me, I would be happy to indicate to you what those priorities were.

He identified five priorities for foreign aid in the 1990's. To quote him:

> First, we must help to consolidate the worldwide trend toward democracy. Our second challenge is to help build strong free-market economies. Our third challenge is to help the peacemakers, even as East/West tensions decrease. The fourth challenge is to work with the world community to address transnational threats, environmental degradation, drug trafficking and terrorism. And the fifth challenge is to strengthen our international ties so as to ensure that the positive world trends we see will continue.

Within that context, it is obvious that the break-outs between the different components of our foreign aid budget are going to require continuous evolution and balance.

Mr. DORGAN. If I might just interrupt you, where in that list of goals is just the plain, unselfish responsibility to reach out with a helping hand to people who need help?

Mr. BROWN. I am quoting his five——

Mr. DORGAN. I understand that——

Mr. BROWN [continuing]. Statements and they are what they are.

Mr. DORGAN. I understand that, but part of that—the first—I guess the second part and one of the other points relate to what we have seen in terms of the trends toward macroeconomic reform and the use of our dollars to pursue macroeconomic reform and growth strategies in various areas, some of which is fine, but that doesn't necessarily always relate to the needs of people who are hungry and impoverished in the lowest-income countries of the world.

I was just curious in terms of those strategies. If the money we provide in Congress for various programs are used by an administration with those strategies, where in those strategies represents the desire simply to reach out the hand of assistance to people around the world who need help?

Mr. BROWN. In helping economies to become strong and viable, we involve various initiatives in the areas of population, education, housing and so forth, to help in this direction.

Our approach to assisting in development involves operating on two fronts. One is promoting economic policy reform and the other is helping with the basic needs of people in the various countries we assist.

What you are talking about refers to which countries are targeted, and that is where I think the real tension manifests itself. With the limited amount of money available, we obviously cannot target all the countries in the world and we have been selective. As you well know, the Congress participates very vigorously in this process of targeting countries and has a lot to say about where the aid goes on a country-by-country basis.

Mr. DORGAN. The reason I asked the question, and I am simplifying a complicated issue, is that most of us represent constituents who, if asked the question, do we not have an obligation to reach out with a helping hand to people who are in desperate trouble around them, the answer, of course, is yes. That is different than so-called foreign aid. It is helping people, and most of our constituents would say absolutely and that is a responsibility of ours.

If, on the other hand, we have a question of our constituents, do you support a foreign aid budget that does the following, and then we have all sorts of foreign aid objectives, political objectives, and economic objectives that we are trying to pursue in various areas, you don't receive necessarily the same kind of response and—let me ask finally, and I come back to a couple of other questions—Mr. Brown, do you agree with the statements—the direction in the House appropriations bill with respect to the desire of the House to move toward a different trend line on military assistance and more food aid and development assistance aid? Is that something that they have taken note of downtown?

Mr. BROWN. Obviously, we take note of everything the Congress does. I am sure that the House and the Senate will get together on exactly what they propose. There are some specific initiatives that involve increments in aid to Africa, for example, and aid to Eastern Europe, but the overall figure for the 150 account hasn't increased, so that means that those increments are going to have to come from other priority programs.

The process of sorting out priorities, you know, is one of give and take. We will have to wait and see how things work their way through in this process. I support the administration's budget, which is the budget that has been submitted.

Mr. DORGAN. I would like to come back to a couple of questions. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Brown, a number of us are concerned about two developments in the microenterprise program. First, we were concerned by A.I.D.'s March 30 report to Congress which indicated that only 7 percent of fiscal year 1989 microenterprise funds were loans of less than $300 and that only 37 percent went to women and that less than 40 percent went to any kind of credit activities.

Second, we find this especially problematic A.I.D.'s position as stated in a December 4, 1989, article in the Christian Science Monitor in which you stated that a program of this nature is proper because Congress' focus on the poor has only been in the form of report language or recommendations.

Mr. Brown, what I would like to know is what it is going to take to get A.I.D. to focus truly on microentrepreneurs and what is A.I.D.'s aversion to the small loans that Congress has been supporting? Could you respond to that?

Mr. BROWN. I will try to. As you know, we just made some internal adjustments at A.I.D. as to where the microenterprise program is managed with a view to increasing our ability to meet the goals of that program. We did this in moving microenterprise into our Private Enterprise Bureau.

A.I.D. is now in consultation with Members of both the House and the Senate, trying to develop a mechanism to ensure that both Congress and the nonprofit agencies that deliver microenterprise programs in developing countries can meet these objectives. A.I.D. intends to take direction from the Microenterprise Advisory Committee as to the directions this microenterprise program should take.

Mr. GILMAN. If I might interrupt you, who is the Microenterprise Advisory Committee?

Mr. **Brown**. I don't have the membership.

Mr. **Gilman**. Is that a committee within your Agency?

Mr. **Brown**. Congress has required us to appoint an A.I.D. Microenterprise Advisory Committee.

Mr. **Gilman**. Can you tell us who that committee is?

Mr. **Brown**. Excuse me?

Mr. **Gilman**. Can someone tell us who that committee is?

Mr. **Brown**. I don't have the membership with me. We can provide that.

Mr. **Gilman**. Would you provide that to my office, please, and to the committee?

[The information appears at the conclusion of the hearing.]

Mr. **Gilman**. Who are you consulting with in the House and Senate? Mr. Feighan and I have been the major proponents of the measure and I don't recall any consultation with your office.

Mr. **Brown**. The Appropriations Committees.

Mr. **Gilman**. With only the Appropriations Committee?

Mr. **Brown**. We will give you a list of who we have been consulting with.

[The information appears at the conclusion of the hearing.]

Mr. **Gilman**. I would hope that maybe your consultation could include the proponents of microenterprise.

Mr. **Bereuter**. Count me among them.

Mr. **Gilman**. Thank you, Mr. Bereuter.

Would you continue? I am sorry for the interruption.

Mr. **Brown**. As I was about to say, the nonprofit grassroots organizations that work in the area of microenterprise are helping to provide A.I.D. with some very valuable direction as to program needs. We are looking to the experts, like ACTION, CARE, and Save the Children, to provide our missions overseas and in Washington with some program guidelines on goals and objectives.

We are taking steps to deal with this problem. We recognize, over the years, that it has been difficult for us to meet the targets in regard to the percent of the loans that are below $300 million.

Mr. **Gilman**. What difficulties are you encountering in trying to meet those goals?

Mr. **Brown**. The primary ones have been management difficulties. This is a problem that confronts us throughout our Agency. When we are trying to administer a lot of small increments, we have to meet accountability requirements and the intensity of management demands have proven to be a problem, but we are addressing the problem.

Mr. **Gilman**. You know, there have been some very fine experiments around the world in microenterprise that may seem to do a very—an excellent job of accountability. As a matter of fact, they have been getting over 90 percent return on those loans.

I can't understand why you are having such difficulty in developing a proper procedure.

Mr. **Brown**. I will be happy to provide you with a statement for the record on that.

[The information appears at the conclusion of the hearing.]

Mr. **Gilman**. As you may know, there is a move afoot to legislate that only $20 million of the $75 million that has been earmarked for microenterprise be in the form of loans under $300 million.

Now that is a major compromise on the part of supporters of microenterprise who would like to see it much less.

I know that A.I.D. considers loan programs of under $300 as minimalist, but there are many of us in the Congress who disagree with A.I.D. Do you think that you can take Chairman Obey's $20 million earmark and truly go with it? I assume that since you are conferring with the Appropriations Committee, you have come to some determination with regard to that.

Mr. BROWN. It is my understanding that Dr. Roskens has met with Congressman Feighan and that his Secretary is trying to arrange an appointment with you for sometime in September. This is in regard to the question you asked me earlier, about whether we have made any effort to meet with you.

Mr. GILMAN. Who has made that effort?

Mr. BROWN. Dr. Roskens, the Administrator of A.I.D.

Mr. GILMAN. We will be pleased to move that up to this week if Dr. Roskens is available. I would just like to add that for several years now, many of us have felt that we have been neglecting the microenterprise issue and we adopted some legislation. We would like to see it implemented and it has been apparent that there has been some foot-dragging by A.I.D. and by State with regard to implementing the microenterprise legislation. I would hope that it can be addressed and if you have an advisory committee, we certainly would welcome meeting with that advisory committee and with Dr. Roskens.

Thank you, Mr. Chairman.

Mr. DORGAN. Mr. Penny, do you have further questions?

Mr. PENNY. I just wanted to clarify again for the witnesses that the chart leaves out economic assistance entirely, so we are simply comparing the trend line on military assistance with the trend line on development assistance and food aid. As the chairman indicated, when you take into account economic support funds, while some of those funds are used to support development activities, I would maintain the bulk of them are used in concert with military programs. Even the amounts that are used to support development activities are often spent in the wrong countries, not the poorest countries, but countries like Egypt, where I think it is arguable that we should be providing that level of assistance.

The other major concern is the lack of any stars in the shaded area. There are a couple of exceptions to that statement, but by and large, we do not see the assistance being focused in the poorest countries of the world and I think that would come as a shock to most Americans.

Last, but not least, I want to remark on the trade-off between the green line and the blue line and the red line. All of us understand here in Washington, DC, that foreign aid is foreign aid, and when we look at budgets around here, we are comparing subsequent-year funding levels for foreign aid with previous-year funding levels. Military aid is in there, along with all the other accounts. You are not going to see a big bump in the overall expenditure for foreign aid.

So the lines do relate to one another. If I felt that we could somehow identify new money to add to that foreign aid and put all that new money into food aid and development assistance, I would do it in a minute. But I don't think that is in the cards, at least not in the near term. So, as we look at the changing world environment in which the green line has the potential of coming down, we would like to see that money shifted directly to the other programs, the human development programs within the foreign aid budget because we don't know of anywhere else we can get the money that we need for those programs.

We have a tough budget situation. No new money is available and we are going to have to look at a transfer of that sort. So I just wanted to make those observations and to urge you again that since this is an area of responsibility for both of you, it seems that even the administration ought to have some interest in beefing up our efforts in those other areas as opportunities to reduce the military aid accounts develop.

Mr. **Ramsay**. Sir, if I might just say on that, this last year has been the most exciting year in my 20-year foreign policy career with all the changes that have been going on in Eastern Europe and Central America and elsewhere, and for us to consolidate that and to move on to the next phase and begin to restructure something that has been out there for several decades is a very exciting prospect and I do hope, personally, that we can move in that direction. It is a question of will and a question of continued focus to see if we can make that change.

Mr. **Penny**. A lot of us on Capitol Hill are excited about these developments, as well, but it all comes to naught if we don't make some of that shift a reality between those accounts and we can't do it alone. One of the reasons the lines have been moving in the wrong direction for so long is because there hasn't been enough support from the administration for that kind of a reallocation, so let's not lose that enthusiasm you have expressed. It requires some renewed emphasis on development assistance programs and we need your help in identifying the ways to reduce military assistance to make those funds available for the development programs.

Mr. **Dorgan**. Mr. Bereuter will inquire.

Mr. **Bereuter**. Thank you, Mr. Chairman.

Gentlemen, thank you very much for your testimony. I have a range of questions to ask. Some time ago, about 2 years ago, we began an effort in the Hunger Committee to try to assure that a greater share of the funds used for education would go for basic education, as opposed to graduate studies for a limited number of people and for baccalaureate degrees. That was led by Chairman Hall and myself and it found its way into legislation, some of which became law, a requirement that *x* amount go for basic education. I suspect you don't have statistics on that available to you today, but I would like to measure your progress on doing that.

It reminds me that, in case you are not quite sure how we are composed here on this Select Committee on Hunger, it is made up, I believe, exclusively of members of the Foreign Affairs, Appropriations, Ways and Means, and Agriculture Committees, which are thought to have parts of the responsibilities for the kind of things that impact food assistance. When Mr. Gilman was mentioning his concerns about contact, I would certainly share those concerns about concentrating totally on the Appropriations Committee and ignoring the authorization committees, because when you do that, you simply invite us to make more and more earmarks, which I know you detest, as every executive branch employee does.

Secretary Ramsay, in your testimony, on page 2, you make reference that we are substantial contributors to the World Food Program and the FAO. Please pass on to Assistant Secretary John Bolton, that the reprogramming that came forward with respect to international organizations, we are rejecting here because it would put us further behind in our payments to FAO and, at the end of this year, we lose our voting rights on FAO. Now, I have nothing but contempt for the tactics and the procedure of the man that leads FAO. He has almost as bad a record as the predecessor person at UNESCO. If you need some advice on campaigning as to how to get rid of him at the end of this term, I suggest you come to the Congress because there are a lot of experts up here. I am not one of them, but there are a lot of experts up here. We ought to do everything we can to get rid of this man at the end of his term and replace him with somebody that is interested in the welfare of people.

But in the meantime, we have to have our membership there, and so we are rejecting the reprogramming request and I hope that you might let the Secretary know why this broadly bipartisan rejection is taking place.

Mr. RAMSAY. Sir, may I respond to that?

Mr. BEREUTER. Please.

Mr. RAMSAY. We are painfully aware of the course we are on toward losing our vote in the FAO membership and, frankly, the administration doesn't want to do that. We don't want to lose that position because the FAO is doing too many good things right now. There are a lot of activities that are essential to just the normal FAO operations that have strictly nothing to do with its Director General, and there are some other things in terms of the GATT round follow-up and some very important programs that we expect to see next year, and we want to be there to play.

We are painfully aware of the box we are getting into as we go through this year and we have made a proposal, and I hope you are aware of it, that some attention be given to the effect of the Kassebaum amendment on our ability to fund organizations with whom we have substantial policy disagreement. I don't think it was ever the intent of that legislation to cost us our vote and it may be possible by some modifications there to keep us from getting into a worse box with the FAO. Now, that has nothing to do with your observation. I will carry that back to Secretary Bolton.

Mr. BEREUTER. I think we can make a minimum contribution which will keep us in at least this year.

This is a time when we are seeing the Soviet bloc pull back from Africa. We are not going to be in competition with the communist bloc for the favor of the countries of Africa in the future. I think it is time to admit that we have corrupt, exploitive, dictatorial leaders in most of the nations of sub-Saharan Africa and that the conditions under which people live are worse in most instances than existed in colonial times.

It is time, on a bilateral and multilateral basis, since we have so little money to distribute, to begin to do something about that. That seems to fit with one of Secretary Baker's objectives.

I am wondering now what you can tell me about how we can reorient our bilateral and our multilateral aid programs for Africa, to move them along toward democracy and pluralism and at least to begin to stop doing things that are counterproductive for the welfare of their people.

Are we taking this opportunity to rethink totally how we are going to approach the African nations? If not, I encourage you to start thinking that way because I think that there is interest in doing so among other OECD countries, and we can do this together so that none of us looks like we are the black hats.

Any comments at all on this subject?

Mr. **Brown**. I would like to comment on the Development Fund for Africa, which we consider to be a very successful program in the whole. It has provided us with the kinds of management flexibility that we feel is important to meeting development needs in Africa.

We submitted our annual report to Congress in February on how well we are doing, but built into program planning are some performance initiatives, such as the African Economic Policy Reform Program, which enables us to reward high performing countries in Africa. This doesn't directly speak to the overall balance between Africa and the other regions of the world. As I pointed out, that is a very difficult balancing act that takes place every year. It involves tradeoffs between all the competing interests, but we think we have been making progress with the Development Fund for Africa as a whole and I would be happy to provide you with a copy of the annual report for the record.

Mr. **Bereuter**. It would be useful tool to use and I am glad you mentioned it.

[The information referred to above appears at the conclusion of the hearing.]

Mr. **Bereuter**. Just one more question, so Mr. Wolf can have an opportunity here. Very briefly, we tried to earmark 0.2 percent to encourage greater cooperation between the Office of Nutrition and the Public Law 480 program in A.I.D. Unfortunately, that provision fell out in our Foreign Affairs Committee compromise with the Agriculture Committee. I would like to ask what you can do to advance the work and goals of the Office of Nutrition in your judgment, making greater use of Public Law 480? If you have any immediate response, I would welcome it.

Mr. **Brown**. I don't have an immediate response on that. I would have to take a look at it and get back to you.

Mr. **Bereuter**. I would appreciate it if you would focus somewhat on that and also on the level of funding now devoted to basic education.

[The information referred to above appears at the conclusion of the hearing.]

Mr. **Bereuter**. Mr. Chairman, I would yield at this point and perhaps have a second round.

Mr. **Dorgan**. Mr. Wolf will inquire.

Mr. **Wolf**. Thank you, Mr. Chairman.

Thanks for your testimony. I have just one or two questions. How well are the Japanese doing in this area and are we—our Government, urging them to be much more aggressive, much more active?

Have they been offering any aid, food aid, in Ethiopia? Are they active in Ethiopia?

Mr. RAMSAY. Let us check briefly here. The major problem in Ethiopia is access, as opposed to——

Mr. WOLF. Well, were they active in 1984 when there was plenty of access?

Mr. RAMSAY. In 1984, probably not. I think they are increasingly active as they respond to our urging that they——

Mr. WOLF. Are they active in Sudan now? I guess there is not a problem there. Are they active there?

Mr. RAMSAY. I will have to see the numbers. I am not sure. But they are being responsive to the urging to get out, since they are not surplus grain producers, to get out and buy the grains on the world market and put them in where they are appropriate, where they can be useful, as a part of their economic support programs.

I don't know. We would have to come back to you with specifics on how responsible.

Mr. WOLF. Overall, how active are the Japanese helping out, as Mr. Dorgan was saying people who really, really need help? I know they give aid in certain countries where they tie their aid, but I mean, to give to people where you are really not going to get anything back for it? How active are they in regions like that, in Central America, in parts of Latin America, in Africa?

Mr. BROWN. I will have to get back with numbers on the breakout of Japanese aid.

[The information appears at the conclusion of the hearing.]

Mr. WOLF. I don't mean this as any criticism but is it fair to say that you are not really sure means that they are really not that active?

Mr. RAMSAY. I think it is fair to say they are fairly new entrants in this business and we have not——

Mr. WOLF. Of course, they are really not new entrants in putting Sony TV's and Toyota's in different western countries. Is there an effort by the administration to encourage Japan to help because, as the chairman was saying, and as Mr. Penny was saying, the amount of aid that is going to be coming out of the Congress because of our budget crisis will probably not grow that much. So you will be moving these different accounts around.

Have we made a concerted effort to urge the Japanese to come into these regions if they are not there?

Mr. BROWN. I have some numbers here, but they are disaggregated. These are net disbursements of official development assistance in 1988 in millions of dollars. It is obvious that Japan is a primary player in China, which is one of the poorer countries that might meet your criteria as to poverty.

Mr. WOLF. But are they active there in feeding? Are they active in——

Mr. BROWN. Their overall assistance effort does not include much in the way of feeding programs, per se. They are not a grain surplus producing country, as you well know.

Mr. WOLF. But they could buy it.

Mr. BROWN. They can buy it, that is true, and they have bought some, for instance supporting activities in Pakistan.

Mr. WOLF. Were they active at all in Sudan in the last 2 years?

Mr. **Brown**. They are not a major player in the Sudan.

Mr. **Wolf**. They are not. Have they been a major player in Ethiopia?

Mr. **Ramsay**. They are not in Sudan as big as the EEC. They are not big compared to us.

Ethiopia, you said, sir?

Mr. **Wolf**. Yes.

Mr. **Ramsay**. Let's see what we have. They are not a major player. They border on insignificant.

Mr. **Wolf**. They are the two biggest famines that we have had certainly in the 1980's and they are continuing even now. In light of what the chairman said, and because of the lack of resources that our administration and our Government have, although we can't pressure anybody, we can urge the Japanese and other countries to help, not only to single out the Japanese, but others who perhaps haven't been as aggressive in this area.

As it says in the Bible, "To whom much is given, much is required." Certainly many of these western countries and other countries have been given very much economically and it would be helpful if they would be active in places like Sudan and Ethiopia and some of the other places.

The other question I was going to ask you was what is the situation in Ethiopia? I saw the article in today's paper that there was a boat with four U.N. representatives that got to Misewa and turned back because of the reticence on the part of the Ethiopian Government. What is their current status, without taking up the whole committee's time. Just where are we there?

Mr. **Ramsay**. Very quickly, sir, to the extent I understand it, there is a U.N. ship standing off Massawa. The request has been put to the EPLF to allow the survey ship to come in and survey the port so that other relief ships can call. The surveying of the port is a precondition to the ability of the relief ships to come in.

The EPLF has not been responsive to our request. They are concerned that the motivations of that survey ship may be otherwise. I think the most recent communication was that the rebels themselves could come out and get the survey team off the U.N. ship and bring it back in to do the surveying necessary. The EPLF has not taken up that offer.

Mr. **Wolf**. So it is the Eritreans now that are keeping them from coming in, not the Ethiopian Government?

Mr. **Ramsay**. It seems to move with whoever happens to have the upper hand.

Mr. **Wolf**. I thank you.

Thank you, Mr. Chairman, and thanks for giving me that time.

Mr. **Dorgan**. Mr. Wolf, thank you very much.

As the witnesses have noticed, and I think most people understand, this committee has a very bipartisan spirit in its desire to see the resources used to respond to the troubles around the world in the most effective way possible and I want to compliment the members who are here this morning and the questions.

I would like to submit additionally for the record some additional questions that we would like you to respond to for us, and let me ask a couple of other quick questions.

Mr. Hakim is going to be testifying, and Mr. Sewell. Mr. Sewell is going to provide some interesting charts.

In Mr. Hakim's testimony, let me read you a statement. He says that reshaping—simply shifting current budget allocations is not likely to achieve very much without reshaping overall U.S. foreign aid effort. He says that the objective of fighting hunger and malnutrition can, in my view, only be accomplished in the context of a genuine development assistance program and the United States has no such program.

Let me read one additional paragraph. "Most U.S. bilateral aid is directed at three groups of countries. One group has established strong political claim to our resources. A second is involved in one way or another in U.S.-supported military actions, and one-third includes those countries hosting U.S. military bases. Key drug-supplying nations now appear to be emerging as a fourth group of major aid recipients."

In fairness to him, he says, "In each of those cases, assistance may well be serving worthwhile purposes," but he points out those are the claims.

The frustration of some of us on the committee is to try to understand whether we have a true development assistance program, whether we have one that works, and whether, in the longer term, we can shift priorities so that more resources can be devoted to the development assistance program that works. I am not able to discern this morning whether we have one, whether we have one that works or whether we are going to be able to shift resources to one that does work.

So, Mr. Ramsay, Mr. Brown, would you comment on that and on Mr. Hakim's statements?

Mr. RAMSAY. I don't think we would be entirely in accord with Mr. Hakim's statements. I think we could certainly go through and take each of those aspects and discuss it a little bit and have some fun doing it. Insofar as whether we have a development assistance program that works, yes, we do have one and it works. It works quite well. It could work better and it could be a better development assistance program. It always could be.

It is the third part that is the hardest. It is the third part that is the hardest and it is the third part that you have been focusing on in your hearings today, sir, and I think that it is challenging all of us. Just exactly how real are the shifts in the world and how much can we begin to shift, at what pace can we begin to shift and where does it start?

Mr. DORGAN. The testimony that we have had in previous hearings that show that, you know, as the population is increasing, the number of refugees in the world are increasing exponentially and you take a look at the amount of resources that we devote to responding, not only to the human needs, but also the developmental capability is—seems, at least, so far out of proportion to what we are providing in the military assistance issue.

I suspect what we probably should do, those of us who are very interested in this subject, at some point, we should sit down, not in a hearing, but in a more informal meeting with the Secretary and other policy people in the State and our A.I.D. and other areas to discuss more informally with them about long-term goals and strategies.

But we are very concerned about that because it seems clear to me that with limited resources, the green line and the red and blue line depend directly on each other and, Mr. Brown, you may have 1,000 wonderful ideas and flowering programs that would make this a better world for a lot of people, but you are only able to perform to the extent that you have the resources to perform.

As the needs grow and the resources remain constant or diminish, it seems to me that despite isolated claims of success, long-term strategies are not available to allow us to make much progress unless we begin shifting resources in line with shifting priorities in the world.

Mr. BEREUTER. Would the chairman yield?

Mr. DORGAN. I would be happy to yield.

Mr. BEREUTER. I do think that is an excellent idea and I do think it could be closed-door session. The administration might be surprised at the willingness for the Congress to consider things that it considers politically inconceivable. I think there are times when you in the administration have attitudes about what the Congress will or will not accept that are not necessarily true.

But with an absence of leadership or of a cohesive position between the two branches of government, it never even gets advanced, so I think such a meeting is an excellent idea.

Mr. DORGAN. Mr. Brown, did you want to comment?

Mr. BROWN. As I indicated earlier, Mr. Chairman, I think on your chart the picture presented by your green, blue and red lines on your chart is a little misleading because it leaves out some important elements of what I would call economic assistance. If you include economic support funds, including the special assistance initiative, TDP, Peace Corps, Inter-American Foundation, Migration and Refugee Assistance, our 1991 request is $9.5 billion, whereas military assistance is $5.43 billion. These figures are budget authority net of receipts. So the kind of balance that you have shown between what I would call economic aid and military aid, I think is a little misleading.

The relative percentage between economic and military is 64 percent economic, 36 percent military. This percentage has been pretty much in keeping with prior-year ratios. We recognize that East/West tensions are lessening; positive changes are occurring in Eastern Europe. There are critical regional interests, however, that have not been affected by these changes. For this reason, it would be a mistake to cut military aid prematurely.

For example, we see no change in our commitment to supporting the Camp David Accords. More than half the military aid that we offer goes to supporting the Middle East peace process. We also need to continue military aid in support of fragile democracies in Pakistan, the Philippines, and in Central America.

Combatting the narcotics problem in this hemisphere is another problem that will require significant military aid. So I mean, we can't give you a direct answer now, as to exactly what the mix ought to be in the next budget, except to recognize that military aid and economic aid are, to a certain degree, fungible and interchangeable with each other.

Mr. **Dorgan**. Mr. Brown, I think you are making Mr. Hakim's point——

Mr. **Brown**. I am not sure that I am.

Mr. **Dorgan** [continuing]. The only observation I would make is that when people come to us and begin grouping numbers, as you just did, it always sounds better than it really is. When you say that chart is misleading, I think that it is not misleading. When you pile together economic support funds and other categories and say, "Well, this is the one side and then there's military," and then you take a look at the economic support funds that we have spent in El Salvador, for example, and you say, "Well, who classified that as other than military? The bridge was only built for purposes of military use," and it is classified as economic support. So some of us are a little skeptical about the divisions and the use of numbers and, further, the economic support funds, as I indicated, are spent largely, 95 to 98 percent, outside of the areas of the world where the greatest human need exists with respect to the concern of this committee, and that is assistance to refugees of food and hunger and malnutrition.

Further questions, Mr. Gilman.

Mr. **Gilman**. Thank you, Mr. Chairman.

Mr. Brown, one of the subsequent panelists, Mr. Sewell, is stating that there needs to be new programs proposed that can attract a broader constituency in order to be effective and he states that the standard economic, political and humanitarian arguments for economic assistance to developing countries have failed to create a national constituency for the program. They have promised more than they can deliver in economic and political terms, have not demonstrated that A.I.D. effectively promotes development, have not clearly articulated why development is beneficial to the United States.

Growing U.S./Third World interdependence offers new practical reasons for Americans to link their health, environment, and economic prosperity to progress in developing countries. What are your thoughts about building a better base involving American constituency in support of U.S. development?

Have you tackled that problem?

Mr. **Brown**. I obviously would agree that we need as broad a constituency as is possible.

Mr. **Gilman**. I think we all agree to that, but I am asking what are we doing about it?

Mr. **Brown**. I am not sure about specific constituency building activities.

Mr. **Gilman**. It seems to me it is an important aspect of all of this if we are truly going to move ahead. Everyone says, yes, we want to help those poor hungry people. Do you want to give them more foreign aid? No is the usual answer. How do we get that thought through to our constituents out there that this is essential, not only for our well-being, but for humanitarian considerations?

Mr. **Brown**. A.I.D.'s development education grants, sometimes referred to as the Biden-Pell grants, are certainly important. Activities of organizations like Mr. Sewell's also help in that regard.

Mr. **Gilman**. I am sure he recognizes it, and that is why he is saying it, but what is—what I am asking about is what is A.I.D. doing about it?

Mr. **Brown**. A.I.D. is trying to implement its Foreign Assistance Program in accordance with the objectives of the administration and the laws of the land.

Mr. **Gilman**. In other words, then, there isn't any education program by A.I.D. in trying to build a constituency for these programs?

Mr. **Brown**. We fund and administer the Biden-Pell grants, which do help in that regard.

Mr. **Gilman**. Pell grants are for individuals, right?

Mr. **Brown**. A.I.D.'s development education grants are for organizations and universities.

Mr. **Gilman**. How many individuals in 1 year are Pell grants?

Mr. **Brown**. The annual budget is about $3 million a year.

Mr. **Gilman**. But how many individuals?

Mr. **Brown**. I will have to give you the number for the record.

[The information referred to above appears at the conclusion of the hearing.]

Mr. **Gilman**. Are we talking about maybe 1,000 students? Is that what we are talking about under Pell Grants?

Mr. **Brown**. I can't say.

Mr. **Gilman**. That is not building a broad-based constituency across this nation, is it?

Mr. **Brown**. I would hope that——

Mr. **Gilman**. What I would like to see A.I.D. doing is concentrate on a program that could help develop a broad-based constituency with the help of Congress getting support for these kinds of programs instead of getting our ears pinned back every time we try to develop some new funding and new programs for—to meet your objectives, but it would seem to me part of the problem is educating the public.

That goes back to our Presidential Commission on Hunger in the early part of this—the last decade, when we tried to find what some of the problems were. We found that we had the way, but we needed the will and to get the will, we needed the support out there amongst the public, and I would hope that you might give some thought to how best to develop a broader-based constituency.

Now, another one of the panelists who will be following you, Mr. Hakim, of the Inter-American Dialogue, says that he is critical of our aid programs. He said, "Most U.S. bilateral aid is directed to three groups of countries. One group has established a strong political claim on our resources. The second is involved in one way or another in U.S.-supported military actions and a third includes those countries hosting U.S. military bases and then key drug-supplying nations now appear to be emerging," and some fourth group. But "In each of these cases, U.S. assistance may be serving worthwhile purposes, but the purposes are not developmental.

"Neither the amount nor kind of U.S. assistance depends on whether development objectives are accomplished or not, whether the poor actually benefit or not, and whether enduring improvements are being achieved or not."

What are your thoughts about that criticism?

Mr. **Brown**. Well, as I indicated earlier, the objectives of foreign aid are broad-based. They cover a wide spectrum, and I didn't say this earlier, but I don't know if you could appropriately characterize the entirety of the program "development." That has different meanings to different people. If you use the term economic aid, that is one thing. Mr. Woods, the previous A.I.D. Administrator, produced a report last year which took a very in-depth view at how well our aid program worked, so to speak, or succeeded, and he found that there were a lot of problems and that the success record in terms of "developmental objectives" was very spotty.

There are a lot of reasons for this. In my view, simple solutions or simplistic approaches are not going to solve the problem.

Mr. **Gilman**. What about the criterion for our programs? Do we have the proper criteria, the proper objectives in mind when we reach out to try to do something about alleviating poverty, malnutrition, and hunger?

Mr. **Brown**. As I indicated earlier, we ultimately would like to reduce poverty, to make it possible for the countries we are helping to support themselves and get out of the cycle of poverty, this effort requires us to maintain a balanced approach. There are some things we have to do in the realm of direct alleviation. Some of those activities are justified because they help make the poor, as a labor force, more productive and provide it with some opportunities.

To use a quote from Congressman Dorgan, that the rising tide doesn't necessarily lift all boats, one of the reasons is that some of the boats have holes in them and we recognize we have to patch up the holes. Some of this assistance, in effect, does that. But the tide ultimately has to rise.

Mr. **Dorgan**. If I might just interrupt just for a moment, this goes back, I guess, to the central question today, which is the direction of the administration through A.I.D. and State has largely been in macroeconomic growth strategies. That has sort of been the mindset. Macroeconomic growth strategies with our money. That gives us the best bang for the buck, apparently, according to some.

Is that the strategy for the future or are we now at a point where we understand that there needs to be a re-evaluation of that because macroeconomic growth policies do not necessarily respond to the human misery and the needs of people who need to eat, not on the long term, but need to eat today? One of the central questions I am trying to get at is what is the strategy here? Is the use of scarce dollars, given these charts, pursuing a macroeconomic growth strategy in the future or have we seen, maybe, the end of that or at least some diminution of that and maybe paying more attention than we have in the past to responding to the conditions of human misery around the globe?

Mr. **Ramsay**. I don't really think you can shift off the longer-term resolution of the problem being the macroeconomic approach and the gross approach. There will always be needs at the margins for the people at the margins of whatever society, as big and as rich as ours, or as small and as poor as Guyana. There will always be that need. To address that need the programs have to be responsive and have to be on time.

So it is going to be a balance. I think that the debate we are going to have is going to be less how much military assistance can we shift, but within the development program, how can we get more development and get these countries more self-sustaining so that there are fewer people at the margins that we have to sustain.

Mr. **Dorgan**. I apologize to my friend for interrupting, but I might just observe that the experts say that we will increase by double the number of people in Africa who are hungry in the 1990's. Are we anywhere prepared to begin dealing with that, as one of the countries that has in the world, with a responsibility to reach out to that particular problem? Given your strategy, are we anywhere near able to begin thinking about how we respond to that fact? Mr. Brown or Mr. Ramsay.

Mr. **Ramsay**. I don't know what the experts are basing that on other than pure population growth, which may be enough. I don't think you can get there without structural reform in those economies, basic growth in those economies so that they internally can absorb a good bit of that increasing population. And as I say, at the margins, if that marginal group and vulnerable group begins to expand, we, too, if we can get at them, will have to expand our assistance.

Mr. **Gilman**. Do we—if I might reclaim my time—do we make that a criteria, a requirement, our assistance to those countries, that they increase the development aid to their own people?

Mr. **Ramsay**. Sir, one of the most difficult aspects of the Public Law 480 programs is to get the conditionality that we want in macroeconomic policy reform, restructuring economies—getting the inefficiencies out of the economy, such as artificial exchange rates and pricing policies that may favor urban dwellers, but are to the great disadvantage of the rural poor.

But there is always a balance to be struck by how much conditionality you try to extract for your feeding programs and how much need you have to get those feeding programs in there and begin feeding and not delayed by the implications of the extracting——

Mr. **Gilman**. I think we all recognize some of the short-term emergencies. We are talking now about some of the long-term objectives of our developmental aid.

Mr. **Bereuter**. Would the gentleman——

Mr. **Gilman**. I would be pleased to yield.

Mr. **Bereuter**. My understanding is that our A.I.D. officials never really have access to the top people in Africa and we have so little money to distribute these days, we are not able to have any impact on conditionality or structural reform. If we are going to have a change on macroeconomic policy, it has to be by influencing other bilateral aid programs and the World Bank and the African Development Bank. We don't have the resources to have an impact anymore, so if you are going to have these macroeconomic policy changes, we have to do this in coordination with the OECD countries and with the World Bank and the African Development Bank.

So I think we ought not kid ourselves about this issue.

Mr. **Ramsay**. If I might on that, it is obvious that we are doing that through the Paris Club, through the bank, through the fund. All of these things, we do have the conditionality and we are very firm about it and, in fact, it is quite costly sometimes in terms of welfare. We have seen what can happen across North Africa when the conditionality gets too heavy.

It is true that we are very limited in the leverage we have with that very small food aid or ESF programs in Africa. It might be appropriate at this point in time to note that as we move to conference on the farm bill coming out of both the House and Senate, we should pay close attention to this debt relief component of the food aid proposals, that we make sure we don't put too many criteria or conditions on the availability of that credit or the availability of that grant status and relief from previous debt, plus the availability of Public Law 480 credit after access to the grant to the disadvantage of some of these countries.

It is a long list of countries that are up against the arrears problems and are falling out of Public Law 480 because they can't meet the arrearages. We need to pay some close attention to that.

Mr. **Bereuter**. Thank you.

Mr. **Gilman**. I thank the gentleman.

Do we try to get some commitment from the countries we are helping to make certain that the funds that we give them are going to the poorest of their population?

Mr. **Ramsay**. We get commitments, sir, but I can't say the commitments are the same as performance.

Mr. **Gilman**. Is there some way we should properly address that problem?

Mr. **Ramsay**. I think that by pushing on the commitment and performance to the extent you can without endangering the ability to get to those people with the relief, yes.

Mr. **Gilman**. I am concerned that we haven't been giving enough attention to that part of the problem and I would hope we take another look at all of that.

Thank you, Mr. Chairman.

Mr. **Dorgan**. If there are no other questions of Mr. Ramsay and Mr. Brown, we appreciate——

Mr. **Bereuter**. May I make two requests?

Mr. **Dorgan**. Yes, Mr. Bereuter.

Mr. **Bereuter**. I do have two things that I would like to convey as concerns and requests.

I have heard some discouraging and disturbing comments about the amount of money being spent on for-profit contractors for review, analysis, and evaluation efforts and if that is true, I think it is an inappropriate use. I think that you are not using your own resources and now building up your own capacity and keeping it there, so I urge my constituent, your new Administrator, to take this opportunity as a new Administrator to take a look at it.

I hope we don't find a mini-HUD scandal of contractor relationships there. If so, now is the time to expose them and have them out of the way and get back on track.

Second, while I know that there are reservations and there is a little jealousy involved in State and A.I.D., I do hope that you might, despite what I have said about analysis, have a chance to look at the Global 2000 appropriate development efforts of the Carter Center. I think Mr. Broomfield and Mr. Fascel invited President Carter to come up to the Hill to talk about these programs. I had looked at the programs before. I think they have accomplished remarkable things in Ghana and several other countries and so I would urge you to try to look at these—setting aside perhaps some internal reservations and jealousies that are inappropriate.

Thank you very much, Mr. Chairman.

Mr. DORGAN. Mr. Bereuter, thank you very much.

Mr. Brown and Mr. Ramsay, we thank you very much for spending the time you did with us this morning and we look forward to continuing to work with you.

The Chair would next like to call Mr. Sewell and Mr. Hakim to testify. Mr. Sewell is president of the Overseas Development Council and Mr. Hakim is the staff director of the Inter-American Dialogue.

If the two of you would please come forward together and take seats at the table, we would be delighted to accept your testimony. We have and will include your statements as part of the permanent record and would ask that both of you summarize. I would like to compliment both of you on the information you have submitted to the committee. As you could tell from the questions, we have had a chance to review previously the information you submitted and it has been very helpful.

I might say that I may have to go to the Ways and Means Committee on a debt ceiling mark-up that is now ongoing in order to cast a vote and if I do, there will be another member chairing, but I would like to ask Mr. Sewell to begin and, Mr. Sewell, you have submitted a number of charts to the committee. You may summarize. Afterward, we will hear from Mr. Hakim.

STATEMENT OF JOHN SEWELL, PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL

Mr. SEWELL. Mr. Chairman, thank you. I welcome the opportunity to be here today and testify before the Select Committee on Hunger.

The role that you have played and will be playing in the future on focusing attention on the central issues of hunger and development is terribly important and it will be more important in the future.

I want to talk this morning, drawing from the work of the Overseas Development Council. I have given you some tables drawn from ODC and other publications, copies of a briefing paper we have done for congressional staff and for Congressmen on the current U.S. foreign aid program and then a letter that summarizes the set of studies we did for the task force chaired by Congressmen Hamilton and Gilman a year and a half ago on foreign aid reform, and I think those conclusions are still valid as you take up the task of looking at U.S. foreign aid programs in the 1990's.

What I really want to address for you today is the issues and opportunities that we all face here in the United States in looking at our programs in the developing world in the 1990's and talk about the changes that have taken place in the policy environment to which those programs are going to have to respond.

Like Peter Hakim, I really believe that our current programs have run out of time. I think you share that view. They are no longer responsive to our interests in the Third World, nor to the interests of the Third World, and they urgently need revision to meet the realities of the period ahead.

Contrary to the view of some people in this town, I look upon the 1990's as a period of great opportunity. It is an opportunity to create the framework for a better, more secure world and there will be resources available to do it if we have the wit to find those resources.

However, it is not inevitable that we are going to do so and that we are going to seize these opportunities and to do so will require an agreement within the United States between Congress, the executive branch, and outside interests on new policy priorities and it is going to require U.S. leadership for a world that is going to be quite different where we are only first among equals.

From my perspective, U.S. development policies in the 1990's should focus exclusively on the emerging global agenda of inter-related issues: How do you renew economic growth in the world; how do you eliminate global poverty; how do you do both of those in a way that sustains the environment and how do you promote this remarkable flowering of political openness that has gone on over the last decade, first in Latin America and then in Eastern Europe?

These issues are moving to the center stage of global policymaking. They involve all countries, but they are crucial for the developing countries and now crucial for the newly liberated countries in Eastern Europe.

Let me just run down briefly through the four parts of this emerging global agenda and refer to the charts that we had Xeroxed off and I distributed to the committee, which I hope are readable. They are not quite as big as the ones on my left, which are quite readable.

First, the issue of renewing economic growth. I think it is worth reminding ourselves that the economic development record from 1950 to approximately 1980 was really quite remarkable. The developing countries grew during that period of time faster than the industrial countries ever did during our own Industrial Revolution, and there was a remarkable amount of social progress.

On page 1 of that handout, you can see that improvement. Whether you look at per capita income, whether you look at share of global industrial production, or whether you look at life expectancy, infant mortality and nutrition, up until about 1980, there have been vast improvements in the Third World and people were measurably better off, even though nowhere near as well off, except for a few countries, as we are in the rich countries.

That, of course, ended with the onset of the economic crisis of the 1980's and the last decade and still on into the 1990's, it has been a lost decade for development, particularly contrasted with earlier decades, and the current situation is reflected in those tables on the second part of the handout.

The flow of resources which traditionally had been from the rich countries to the poor countries reversed as the debt crisis hit and you can see from the figure on reversing resource flows that we have the perverse situation where the developing countries are transferring more to us than we are transferring to them.

Developing country debts are outrunning export income and the loss to developing countries, measured between what would have been had growth rates continued in the 1980's as they had in the previous period amounts to $2 trillion or about $3,500 a person in developing countries. If those trends had continued, the developing world would be much better off than it was—than it is at this current moment.

Prospects for the 1990's are unclear and at the top of page 2 is a chart drawn from the Brand New World Development Report, using the World Bank assumptions and projections out to 1995. You note from the two that we have underlined, whether you talk about sub-Saharan Africa or Latin America, you note two things on the far right-hand side. First, growth rates were disastrous in the 1980–90 period. They were negative. Second, even under the World Bank's optimistic forecasts, and they are optimistic out to the year 2000, growth rates do not get back to where they were in the period before 1980.

If growth doesn't resume and the resources available to promote the other three components of the agenda aren't going to be available.

The second part of it is clearly the one that is on your mind today. That is addressing global poverty. It remains as serious as ever at a time when the world is infinitely richer.

On page 3, we have taken some of the charts from the New World Development Report and UNDP's Human Development Report to look at their projections on the poverty issue. The development report estimates that there are still more than 1 billion men, women, and children living in absolute poverty. With the proper and proven policies, you could knock that number down by 300 million by the end of the century. The gains and improvement in the poverty situation in Latin American and particularly Asia, could be quite spectacular.

Africa, however, remains a crucial case. As was pointed out earlier, this is the area of real need and poverty is going to increase even under the best of circumstances in Africa because of population growth and will massively worse if those correct policies are not adapted.

I was very glad to see Reggie Brown refer to the World Development Report because the World Development Report states extraordinarily clearly that the purpose, the purpose of economic development is the elimination of poverty and I would hope the administration adopts that part of the World Development Report as its policies also. One of the key elements, by the way, one of the key first opportunities which I hope the administration takes is the fact that under UNICEF auspices, there will be a global summit for children in late September, and I think we are all hoping that President Bush will attend, along with 70 other world leaders, as an indication of his commitment to that issue. So poverty is the second part of the global agency.

The third, clearly, is the global environment. It is clear that the global environment is at risk. Global warming is a real possibility. The consequences are not clear, but they could be very costly.

Page 4 of that chart, of that set of charts, we indicate some of the environmental indicators. It is clear that the major part of the problem still in terms of the global environment still remains with the industrial world, as, for instance, CO_2 emissions come still predominantly from the industrial world, but the Third World, as it industrializes, is going to be a bigger part of the problem.

A real developing country problem is the fact that fragile lands, tropical forests, hilly areas, arid lands are deteriorating at an alarming rate, as you can see from the chart on the right-hand side of the page.

Now, there is the devil's dilemma here facing us which I think we have to be frank about, that if both developed and developing countries don't change the patterns of growth and particularly of energy use, the resulting pollution will damage the global environment irreversibly. So one of the major parts of our efforts in the Third World should be to look for different patterns of growth that would prevent that.

The link, I would underscore for you here today, between environment degradation and poverty is very close. The chart on the lower left-hand part of the page shows that the poorest of the poor, the bottom 20 percent in the developing countries, really are being pushed out into fragile lands where there is not a sustainable livelihood, tropical forests, arid lands, up onto the hillsides, where there is now a separate development challenge on how those people can achieve a sustainable livelihood in very fragile areas without further deteriorating their own environment. All of this, of course, is worsened by population growth and made more difficult, both poverty and environment.

In the lower right-hand corner on page 4 are the projections of the U.N. Fund for Population Activities, which unfortunately, are more pessimistic, as Congressman Gilman and all of you know. We had thought that the population would stabilize at the end of the next century at about 9 or 10 billion. It is more likely to be 11 billion and if you are being modestly pessimistic, it will be up to about 14 billion. That will just make things much more demanding, so population remains a high priority for our development programs.

The last part of the agenda, the fourth element, of course, is how do you promote this remarkable flowering of political openness, unpredicted by all experts and by all political leaders? You have seen in Latin America, in Asia, in Eastern Europe, even to some degree in Africa, and it is paralleled by a set of economic reforms that are diminishing the role of the State in emphasizing market forces. Open competitive political systems are now viewed as the norm, rather than the aberrations, particularly true in Latin America, as I am sure Peter Hakim will say.

But if you look back to the earlier financial projections, all of those new democracies are going to be under great economic pressure and they are going to have to maintain strict financial austerity in order to deal with their own economic problems. Therefore, I maintain that one of the central issues of the 1990's is the dilemma posed by the fact that the opportunities to consolidate political reform and economic liberalization are greater than any time in the past, but the obstacles are formidable.

This is an area where we know much less in terms of our policies over the last 20 or 30 years than in any other.

I return to the fact that looking at this global agenda, growth, poverty, environment, and political openness, I believe the 1990's are going to be a time of great opportunity to address this agenda and pessimism really isn't warranted because opportunities are great and constraints are less. If you looked at the world and we were sitting here in 1948, you would be—a much more greater degree of pessimism would be warranted than now.

First of all, we have made a great deal of progress, as I said. Whether you measure it in terms of economics, social indicators or political openness and we know a lot more. We are on the threshold of a new scientific and technological revolution which, in many ways, holds great promise through communications and biotechnology and agriculture and health in massively improving human welfare.

The end of the cold war—and it is over, despite the earlier testimony—eliminates major barriers to new thinking if we are willing to take that on and resources can be made available to meet new needs.

On page 5 of this handout, we look at several areas. First, at the bottom is a standard chart on what the U.S. peace dividend might be. If it gets up to be $150 billion, which is the heavy cuts, by the end of this decade, that is a lot of money and a small part of it allocated to our international interests in poverty, environment, political pluralism and growth could mean a lot to the 150 account as we look at it now.

At the same time, however, I think it is now time to move on to the agenda, the fact that military spending in the developing countries is at an atrociously high level. You can see that from the top two charts and there is no reason that when the two super powers are cutting back military expenditures, developing countries should not be doing the same thing.

This is going to pose some tough questions, obviously, in budgetary priorities which you know better than I do, and some very tough questions about taking money away from current programs in our own A.I.D. budget, but there is no reason why we should not be looking at some of the programs you were discussing this morning to reallocate funds within that 150 account. We at the Overseas Development Council will be producing for you by the beginning of next year some alternate suggestions on what those budget reallocations might be.

Finally, I am sorry Congressman Wolf is not here. The Japanese have arrived as a major donor. They are the world's largest donor of development assistance. In 1989, according to the OECD, their official development assistance was $9 billion. Ours was $7.7 billion. They are the major bilateral donor in 25 separate countries and although their priorities and programs and geographical location are different than ours, there is a real need for the U.S. Government to run a much greater dialog with the Japanese about how we work together.

Let me just end on the note that the real challenge is that business as usual won't work, which is why I am glad that you are holding these hearings. In the absence of new policies, growth is going to remain low, poverty will persist and may worsen, the environment is going to continue to deteriorate and democratic governments will inevitably backslide with the result that tensions between developed and developing countries are going to increase.

Perceptions, policies and institutions lag behind these new realities. We are all apprehensive about the future and feel the press and the media problems, and are not prepared for bold new initiatives. Unfortunately, particularly in Washington, new ideas are dismissed as either unworkable, politically naive or both.

I believe, however, that the urgency of these problems, as well as the need to reallocate resources, are leading to a growing awareness in Congress and elsewhere among thoughtful people that past policies are no longer adequate. Therefore, the 1990's are a time, it seems to me, to shift perceptions and policies in both the developed and developing countries to respond to these new realities and global priorities.

U.S. policies, of course, have not responded, as both your charts and the charts we have on page 6 indicate. You have roughly the same figures as we do. I count the economic support fund as security assistance because that is what it is called in the budget, if for no other reason. I take the administration at face value.

More remarkably, I think, is the chart drawn from our policy focus in the middle of page 6, which looks at the recipients of U.S. economic aid by income category, and you see we are providing to the recipients in the low-income countries about 84 cents on a per capita basis and recipients in the high-income countries of $260, a rather remarkable disparity, it seems to me.

So I would hope the efforts of this Select Committee on Hunger are going to help to speed this debate on U.S. policies that are responsive to these new realities, particularly how we have an aid program and an A.I.D. agency that acts as a strong voice within the U.S. Government on this global agenda set of issues, just as originally the Environmental Protection Agency and the Arms Control and Disarmament Agency were set up to be a strong voice for those particular set of policies within the U.S. Government.

As I said, attached to my charts is the recommendations we made at the request of the House Foreign Affairs Committee several years ago in that regard.

Thank you very much.

[The prepared statement of Mr. Sewell appears at the conclusion of the hearing, see p. 127.]

Mr. DORGAN. Mr. Sewell, thank you very much.

Mr. Hakim.

STATEMENT OF PETER HAKIM, STAFF DIRECTOR, INTER-AMERICAN DIALOGUE

Mr. HAKIM. Thank you. I, of course, very much appreciate the task force's invitation to testify on priorities for U.S. foreign assistance. I have long been an enthusiastic supporter of the select committee's work. Indeed, in the interests of full disclosure, I should say that I once applied for a job to the committee when it was being organized and even though I didn't get it, I am still a supporter. [Laughter.]

The Inter-American Dialogue, with which I now work, like many other institutions, working on Latin America and Third World issues, largely neglected the issues of poverty, distribution, and hunger during the 1980's. To their credit, the Overseas Development Council did not neglect those issues, but we tended to focus on the problems of renewing growth and did not give enough attention to poverty, hunger, and equity. The only thing I can say in defense is that we are now turning to those issues as absolutely fundamental and, indeed, there are many arguments that suggest that growth will not occur very easily in most countries unless you first address the questions of equity, not after growth has occurred, but right at the beginning.

As I understand, the basic question this hearing is intended to explore is whether A.I.D., our foreign assistance program, should be allocating more resources to fight hunger and malnutrition. I think that is a crucially important question, but it may be the wrong question with which to start. Simply shifting current budget allocations among countries without reshaping the overall U.S. foreign aid effort is not likely to achieve very much.

I strongly believe that the objective of fighting hunger and malnutrition has to be cast within the context of a genuine development assistance program. I don't think the United States currently conceives of or manages its aid program as a development assistance program.

U.S. foreign aid expenditures are not motivated by development considerations, by and large, nor by concerns about human needs. If they were, aid allocations would be guided by criteria such as the specific needs of the recipient countries, their capacities to make use of the aid provided and their own national commitment to confronting poverty and malnutrition.

I want to emphasize that last point. In the previous panel, the word "we" was used a lot. We have to attack these problems; we have to get at these problems. The fact is that the countries themselves have to get at those problems. We can provide them with some assistance but the governing elites in those countries, must make a commitment. Our foreign assistance has been the most successful in those countries where the country itself has taken the lead.

The panel has already read aloud part of my testimony, where I suggest that the criteria we have used to distribute aid has more to do with political and military interests than developmental concerns. I won't repeat that here.

Indeed, I think that Mr. Brown basically agreed with that as he responded to some of your questions. I do want to emphasize one point again—that neither the amount nor kind of U.S. assistance to different countries depends on whether or not any development objectives are being accomplished, whether the poor are actually benefiting, or whether enduring improvements are being achieved.

In some cases, A.I.D. is advancing these goals, but they are not a criteria. They are not what drives the U.S. aid program.

Most U.S. aid in Latin America, for the past 10 years, has gone to Central America. In the past 4 years, about 75 percent of all Western Hemisphere aid has gone to four countries, Costa Rica, El Salvador, Guatemala, and Honduras. These countries have a population of about 20 million people, which is 5 percent of all of Latin

America. This is hardly the broad coverage of Latin America that Mr. Ramsay referred to.

This assistance may well have served our national interests, but it was not motivated in any sense by a concern about either poverty or development. Major U.S. aid commitments to Central America were undertaken in the early 1980's in response to an emerging threat of a guerrilla victory in El Salvador and growing hostility between the United States and Nicaragua.

It is interesting that in 1980, the total U.S. assistance to all of Central America was about $180 million a year. By 1984, this had risen to $550 million and in 1985, the year after the Kissinger Commission report, economic aid jumped to $1.2 billion. That is aside from the military assistance that went into that region as well.

The U.S. had two clear aims was clearly two things, to topple the Sandinista regime in Nicaragua and to defeat the FMLN rebels in El Salvador. With the exception of Costa Rica, U.S. aid in Central America was not conceived or managed in ways conducive to development or poverty alleviation.

Mr. Ramsay suggested that the United States has been firm on conditionality. That is just not true. In the past 4 years, we have provided some $120 million per year to Guatemala, even as the Guatemalan Government has been unable to tax its better-off citizens to support any significant social programs.

U.S. aid to El Salvador has basically supported a counterinsurgency effort, not an equitable development program. In El Salvador, the United States has consistently ignored economic mismanagement and overlooked widespread government corruption. In fact, I want to read something from an A.I.D. report about aid to El Salvador. This was a report produced in 1987 by U.S. A.I.D. itself. "Overall policy performance has been seriously deficient. There is widespread perception the Government does not have a coherent strategy. Major economic distortions exist. The United States has no conditionality when it is distributing its funds for political and economic purposes."

It is not surprising that U.S. aid in Central America has not really produced very much in terms of long-term development or antipoverty efforts. It may have helped protect U.S. security interests, but we are not here to talk about that today. It may have even served short-run humanitarian purposes. There is no question that some people are eating today and have been eating over the past years because of U.S. aid, but that aid has not made much of a dent in the region's endemic poverty or helped set the stage for long-term growth.

I think that if the United States wanted to expand its contribution to international development and the alleviation of poverty, malnutrition, and hunger, it would require a new program. There ought to be a new program on the board, a development program that is restricted to those countries who meet two requirements. One, that they must pursue sustainable growth-oriented economic policies. No matter what kind of good will the United States has, no matter how much we want to help certain people in certain countries, unless the countries' macroeconomic policies are rational and sound, the money is going to be wasted. Mr. Gilman raised the case of microenterprises. I became familiar with many microenterprises when I was at the Inter-American Foundation. Many of them did an awful lot of good, but I remember in several countries where those microenterprises couldn't import specific inputs and consequently went bankrupt. The reason was related to poor macroeconomic policies. In other words, it is terribly important for the survival of many of these enterprises, for their expansion, that their operations take place within a context of reasonably sound economic policies.

The second criteria, is that countries must, as I mentioned before, demonstrate their own commitment to addressing the needs of the poor. There is a variety of ways to judge a country's commitment. One criteria ought to be reasonably broad-based tax systems and second, significant investments in their own in social programs.

The precise kinds of support the United States might make available and what the counterpart responsibilities might be, I think, ought to be worked out by development professionals. What is crucial is that the United States make available sufficient resources to make a difference, seek to reinforce direct aid with measures to bolster private trade and investment, and commit itself to a reasonable time frame.

My suggestion is that such a program might start very small with some of the savings that come out of the peace dividend. Perhaps if we could get that green curve down a little, one could start with a few countries to show that a real development program could work. Over time, like John Sewell, I would hope that the United States would begin to expand its overseas development financing which, as we all know, is now the lowest as a percent of GNP of any major industrial country.

As you recognize, I am critical of our A.I.D. programs, but what I find most disappointing, is that, consistently, A.I.D. officials are not champions of development programs. They tend, instead, to be defenders of the existing efforts. The Environmental Protection Agency, is an active champion of better environmental policies within the U.S. Government. There is no agency in the Government, and I would have hoped that this would fall to A.I.D., that champions development or the struggle against poverty, malnutrition, and hunger. I guess it is up to you gentlemen.

[The prepared statement of Mr. Hakim appears at the conclusion of the hearing, see p. 149.]

Mr. DORGAN. Mr. Sewell, Mr. Hakim, thank you very much for your testimony. We appreciate the information that you have given us on these matters. I couldn't help, Mr. Sewell, as you were testifying, on page 5, looking at the resources question and the visions of defense spending, I was struck here a while back when President Bush and President Gorbachev were spending the weekend at Camp David discussing the future of Germany, a future over which they will have almost no control, but nonetheless, they spent the weekend discussing it.

It occurred to me, and I asked someone later, if they had spent the weekend discussing something that was radical, a $100 billion defense cut in the United States and a $100 billion defense cut in the Soviet per year, would both the United States and the Soviets still be the largest spenders in the world on defense? The answer is yes, after the cut. Would we be able, in each country, then, to use $100 billion for the kinds of things that reduce the deficit or build infrastructure and contribute to the helpless and the answer would be yes, but they instead spent the weekend discussing the future of Germany, which might have been interesting, but probably was not very productive.

There is the available resources—it seems to me that resources are available to do the things we need to do. it is just that we have not been able to make the political choices or develop the will to make the political choices to accommodate our desires.

So much of the information you have given us is really very interesting and presents a story that is a different story than those whose job it is to say, yes, here are all the good things we do and isn't it wonderful. Sure, it is wonderful, but what is left undone and how much more should we have done had our priorities been different?

It is not my intention to say that A.I.D. is not a good agency with good people I have met with the new Director of A.I.D. I think they have the capacity to do some awfully good things, but I also know that there is an agenda that is established by the administration that moves money around the world to further interests that have almost nothing to do with poverty, hunger and the concern at this hearing is to ask some questions and try to begin to understand how do those decisions get made and how can they be influenced to be made differently in the long term that would not only represent our best interests, but the best interests of people around the world who need help?

Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

I am very much interested in the policy changes that both of you have been suggesting and you heard the comments by our A.I.D. people when we raised some of those criteria. How best do we go about bringing a change in the direction of A.I.D. on a practical aspect? I think we have heard, for example, that we don't have input with the highest levels of some of these foreign governments and, therefore, it would be very difficult, Mr. Hakim, to bring about some of the criteria objectives that you are seeking, such as tax policies and commitments by some of these foreign countries.

How would you overcome these problems?

Mr. HAKIM. First of all, we do have lots of influence. It doesn't always come directly through A.I.D., but the World Bank and the IMF have influence on these things and many countries have begun to revise their taxing policies. They have begun to devise a whole set of policies and it is possible to identify some of those countries already that have made real strides, some with our assistance.

Costa Rica is one good example of where our aid has really served a very valuable purpose.

Mr. GILMAN. Which country?

Mr. HAKIM. Costa Rica.

On the other hand, you have a country like Bolivia, which has gone through an enormously difficult period of great austerity, of reorienting its economy as the bottom fell out of the international tin market, which had been crucial to their economy. They have had to bring down an inflation rate that rose to something like 30,000 percent a year. They are struggling, of course, against the drug trade. You also have a country that, for the first time in its history, has had two successful elections to choose new presidents. Bolivia, after all this great effort, is still not able to begin a process of renewed growth, even though most economic specialists believe that it has undertaken most of the kinds of reforms necessary, simply because there is no external support for that country. In fact, they are seriously hampered by the problems of their neighbors, like Argentina, which supposedly should be buying $300 million a year of natural gas but since Argentina can't pay for that gas today, Bolivia suffers.

Bolivia, for example, is one of those countries where I think we ought to make a major investment. Besides serving developmental purposes, besides helping that country overcome abysmal poverty, we might also make some inroads on the drug trade. There are countries that have made significant steps on their own. They are making efforts.

It is those countries, given the shortage of resources, that we ought to turn to first.

Mr. **Gilman**. Then we should only concentrate on the ones that are helping themselves right now and forget the others?

Mr. **Hakim**. I think those that clearly have a commitment to poverty alleviation should be assisted first—and an attempt made to make them into models. Show that a country like Bolivia, which has made all this strenuous effort, can advance, and I think that will be an incentive——

Mr. **Gilman**. An awfully poor model you are selecting.

Mr. **Hakim**. I don't think so. Why do you say that?

Mr. **Gilman**. They are so enveloped in the drug trade, corruption, and we have been pouring money into their programs for a number of years——

Mr. **Hakim**. If you will look at the level of assistance, it is just not pouring money into it. That is just not the case. It is a poor country that has been struggling very hard——

Mr. **Gilman**. Of all the drug-producing countries, we have given more dollars to Bolivia than many of the others and we have had very little result——

Mr. **Hakim**. Because that money has basically gone into things like interdiction and eradication and not into national development programs.

Mr. **Gilman**. No, very little interdiction in Bolivia. We have been trying to get a substituted product program going in Bolivia——

Mr. **Hakim**. I think if you who were able to develop a healthy economy in that country, that the drug trade would become less significant. I can't prove that, but——

Mr. **Gilman**. Well, we would welcome any suggestions in that direction, but so far, it has been an abysmal——

Mr. **Hakim**. Like I say, if we had a development program there of a significant size and if that country had the resources to grow, I think it would make a difference.

Mr. **Gilman**. You have shown my assistant from our A.I.D. Office—Mr. Ramsay's comments, "Our extremely effective Bolivia program provides 20 million in title III grant aid to fund importation of critically needed food commodities and generates local currencies used to support health, child survival and small procedure projects. Title II provides $22 million to the PVO's for food for work in supplementary feedings. You don't think that we are doing enough there?

Mr. HAKIM. No; $42 million and El Salvador gets something like $400 million a year. I think economic development would be the best way to begin to deal with the drug trade.

Mr. GILMAN. I hope we could pick some better models.

Mr. Sewell, the conclusions of your policy focus paper says that any major reformulation of U.S. aid policy requires leadership by the administration and both Houses of Congress as widespread criticism of the U.S. foreign aid program has no overall vision in the substantively and qualitatively inadequate for the needs of our Nation's recipient countries.

Practically speaking, where do we start to try to address that problem?

Mr. SEWELL. I think you start with the administration. I, myself, and you know this better than I, Congressman Gilman, you spent a year of your scarce time on the Task Force on Foreign Aid reform and came up with a very good report.

My reading of it is that you got no response out of the then new Bush administration and haven't gotten any yet. There is no overall aid philosophy.

I listened with interest, by the way, because I have read Secretary Baker's speech. There was no mention anywhere in there of people, hunger, poverty or anything else and there hasn't been any subsequent statements. I frankly think that shocking.

I think it is up to the administration to come forth, I suppose the first opportunity is in the next budget in January of next year, with some vision of where they think we are going. I, myself, as a taxpayer, am increasingly outraged by where the money is going because I don't think it is congruent with any of our interests, whether those interests are economic, strategic, or humanitarian.

I think it is time for a change. It is very hard for Congress to effect changes the administration won't play, so it seems to me the onus is really very much on the administration to come forth with a philosophy that is congruent for the 1990's. I think that there will be considerable support within Congress, arguments, but support, and I think there will be public support for a program that emphasized addressing poverty, the environment, and democratization around the world.

Mr. GILMAN. If you were the administrator, where would you start that change?

Mr. SEWELL. I would start in it looking at your whole agency. First of all, in getting a statement about purposes, which was congruent with these realities and then realigning the program in some of the ways we recommended to your task force. The simple fact is that we are now one player among many. We and the Japanese are going to dominant the bilateral aid field, but there are many other players.

The Europeans are going to continue to have a big program. Counties like Korea now have aid programs, Mexico has an aid program, and the major players are the multilateral development banks and international financial institutions. There is no—very little input from the development side into our policies at the World Bank and the International Monetary Fund. Very little input on the trade side. So that you have a real dissonance here between the bureaucratic structures and the new set of policies that we need for the 1990's.

Mr. SMITH of New Jersey. Would the gentleman yield?

Mr. GILMAN. I will yield.

Mr. SMITH of New Jersey. Just to make the brief point, last year, when we on the Foreign Affairs Committee were working our way through the rewrite of the Foreign Assistance Act, based on the Hamilton-Gilman draft, the administration was in the room, literally for days, as we worked out the development goals and narrowed it down to a very, very useful list which emphasized developmental goals for the U.S. foreign policies. I think the administration was very much on board and, although it passed in the House and is still pending over on the Senate side, hopefully it will motivate the administration to do more in that area. The administration was in the room and it was, I think, a very joint, bipartisan, both the House and the President working together to try to do that.

So, I was very, very encouraged by that. As a matter of fact, it got down to the Congress and some of our own members, and I don't exclude myself from that, who tried to expand the list and, in a way, undo some of what Hamilton-Gilman sought to do in terms of simplification, but the administration, I thought, was very much on board during that process.

Mr. SEWELL. I am glad you say that, Congressman, but I must say that the dissonance between the list in the Hamilton-Gilman task force report of purposes and Secretary Baker's list is quite great. I wouldn't want to sign on if I was a Congressman to any new legislation until I had a clear understanding of what the administration's priorities were, particularly when you look at the budgetary allocations.

Mr. GILMAN. I thank the gentleman for his remarks and there was some progress, small steps were taken, but we have a long way to go and we would welcome, as we get into the new budgetary process, some assistance from your organization re-emphasizing what we were trying to do by our report.

Yes, Mr. Hakim.

Mr. HAKIM. I was just going to add that President Bush just made a very important statement announcing a new economic initiative for Latin America less than 1 month ago. It is an initiative that I personally support and the Inter-American Dialogue enthusiastically supports, as perhaps a means to reshape some of the important relations in the hemisphere. It is interesting to note, however, that there is no word in that speech, either, about human needs, about social programs, about people and human beings, and I think that—if there was one thing that was really absent from that speech—and I think this, in part, has to do with what John Sewell is mentioning, that it was a speech that largely came out of the U.S. Treasury with very little input from U.S. A.I.D. People should be concerned about some of the social issues and one can, of course, contrast that speech with the Alliance for Progress in the early 1960's. I think the initiative is heading in the right direction, but it does lack that kind of element that we are talking about today.

Mr. **Gilman**. I would hope that both of you would pass on those thoughts directly to Mr. Baker as he prepares for the new program for the coming year and perhaps we can make some dents in that direction. Thank you.

Thank you, Mr. Chairman.

Mr. **Dorgan**. Mr. Smith.

Mr. **Smith** of New Jersey. I have no questions at this time. Thank you.

Mr. **Dorgan**. Mr. Hakim, Mr. Sewell, we appreciate very much your participation today. I must say that I, too, was struck by the objectives and strategies that were given us by the administration and the lack of reference to the basic humanitarian impulse and response that a country like ours, a country that possesses so much, must have with respect to others in the world who possess so little.

But I think that all the good intentions in the world aren't enough unless you have the resources and the will to move forward and do certain things with it around the world.

We are trying to figure out in this committee, with the administration, how we can not only find the resources, but develop the will and a common strategy to do the things that we would like to do.

I mentioned earlier today the direction in the House Appropriations bill in which we say, "Look, here's some money, but now here's what we want done with the money. Here's a new strategy." It is clear to me that strategy is a bankrupt strategy. That is the old way and frankly, it didn't work very well. I mean, we were giving guns to governments instead of food to people and in many cases, all the wrong governments. But that aside, I think that if we can work together in a bipartisan way to try to work with the administration to change priorities and to develop constructive programs that really do work with goals that are bipartisan goals, then we can do some good for the rest of the world.

This has been an interesting hearing. We appreciate very much your participation and the hearing is now adjourned.

[Whereupon, at 12:15 p.m., the task force was adjourned, to reconvene subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. BYRON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

The Hunger Committee has called this hearing to find out the priority the Administration will give to fighting hunger and poverty in developing countries as aid priorities are reordered in the post cold war era. We want to discuss us what resources will be allocated to programs which reduce hunger and malnutrition. These would include programs not only directly related to feeding people such as food production and food aid, but programs with potential to reduce malnutrition such as primary health care and child survival, population, basic education, and women in development. In other words share with us your HUNGER BUDGET.

CONGRESS URGES REDUCING POVERTY BE AN AID PRIORITY

For many years Congress has urged the Administration to place greater emphasis on promoting development in truly poor countries and targeting more resources on meeting basic human needs. The Fiscal Year 1990 foreign aid appropriations bill says it clearly: "The Congress finds that reduction of poverty on a global basis is a fundamental goal of United States foreign assistance."

Last month, the Committee on Appropriations, in its report on this year's foreign aid bill, charged that AID showed "insufficient concern with poverty issues." It admonished AID in allocating scarce resources to use as "one of its most important criteria"..."the need and commitment of ... governments to alleviating poverty and promoting basic human needs."

To most of us in this House it is fundamental that our development efforts be judged by their impact on the dignity and welfare of the poor in developing countries.

Does the Administration see alleviating poverty, and fighting hunger, malnutrition and disease as priorities? Does the Administration agree with the World Bank when it characterized the prevalence of global poverty as "shameful"?

Frankly, many of us in Congress are skeptical that the Administration is committed to reshaping foreign aid to put improving the lives of those in the most need at the center of its concerns.

THE ADMINISTRATION MAINTAINS OLD AID PRIORITIES

Despite the end of the cold war the Administration foreign aid request for fiscal year 1991 maintained the old priorities. Promoting development in the world's poorest countries was not high among them.

If the Administration's priorities had prevailed military and related security aid would have been increased (by 3.9% and 4.6% respectively) over the previous year while bilateral development aid for poorer countries, would have been cut. Thus, the objectionable trends of the eighties would have continued.

Since 1980, military aid is up 24% (in constant dollars), related economic support funds for political and strategic purposes are up 38%, development aid is up only 2%, food aid is down 26%, and assistance to Africa, which is the poorest region with escalating hunger problems and the world's highest infant mortality rates, is down 1%.

COUNTRIES MOST IN NEED RECEIVE THE LEAST US AID

Under the Administration's FY-91 request, economic aid to low income countries would have been about $ 0.84 per capita, for middle income countries about $ 4.25 per capita, and for high income countries $258. That would have continued a policy which placed the United States next to last among the world's industrialized donors in the percentage of economic aid directed to the world's poorest nations.

The US House, in voting the foreign aid appropriations bill this year, pointed the Administration in the direction we feel it should travel in the nineties. It reduced military aid in order to significantly increase funding for Africa, for child survival, for UNICEF, for health and population planning, and for overseas refugees.

FOOD AID

I am strongly supporting an amendment by Mr. Gejdenson to Title XII of H.R. 3950 which reauthorizes our Food for Peace program. The amendment is important both in its own right, and as a building block in the structure of the new foreign aid program of the post cold war era. The amendment puts the poorest countries at the center of our concern by providing them food aid on a grant, rather than a loan basis.

AID is instructed to allocate food on the basis of need (including the crucial under five year mortality rate), the willingness of recipients to use aid effectively and to promote food security. These sound like very unremarkable criteria: but they are ones which were neglected during the cold war. My Hunger Committee colleagues Chairman Hall and Representatives Bereuter and Penny are responsible for an initiative whose philosophy can be seen in the Gejdenson Amendment and I am priviledged to have been a cosponsor of that bill.

In addition to this reform of the old Title I program, this member would also advocate increases in Title II food aid.

POLITICAL/STRATEGIC CONCERNS STILL PARAMOUNT IN RESOURCE DECISIONS

During the cold war it was perhaps understandable that strategic and political considerations would dominate our assistance priorities. Nevertheless, those cold war priorities also led to waste and abuse and, in the poorest countries, failed to spur development. From 1980 to 1990 we gave $3.9 billion in aid to El Salvador despite that government's sad human rights record. Even Title I food aid was allocated to serve military objectives. It's not surprising that foreign aid lost support among the American people and in the Congress.

AMERICANS WANT THEIR AID TO HELP PEOPLE IN NEED

In the report by Michigan State University on new challenges for foreign aid in the 1990s there is a poll on the kinds of aid programs favored by the American people. The following programs (which constitute half of the potential programs listed by the questioner) were given priority by at least 50% of the respondents: disaster relief, health care, family planning, aid to farmers overseas, US volunteer programs, reducing infant mortality, and food aid. Among the programs which the US public did not favor were: infrastructure projects, military bases overseas, encouragement of US investment and helping governments improve their national economies.

Based upon my discussions with North Dakotans the poll accurately reflects public sentiments. Even the lukewarm support for "helping governments improve their economies" is understandable. The public is very skeptical that aid to governments will actually benefit their people.

GOALS SHOULD BE SET FOR BASIC HUMAN NEEDS PROGRAMS

If foreign aid is unpopular, one of the reasons is that Americans have little sense of what their dollars accomplish.

I was moved by a report by UNICEF which said that almost 2/3rds of the 14 million children who die each year are killed by preventable diseases. UNICEF set goals for reducing infant mortality in the nineties. In a similar vein, a distinguished international group of development specialists meeting in Bellagio, Italy set goals and strategies for sharply reducing hunger and malnutrition in the roughly 450 million households where there is not enough to eat. I cite these examples not to assert that the goals in question can be achieved. But I suggest that the Administration owes it to the American people to tell it (and Congress) what AID aims to achieve with the funds it will be requesting. Tell us what impact your HUNGER BUDGET would have on poor peoples lives.

Such action could not only improve management but increase public support for foreign aid.

ECONOMIC GROWTH ALONE DOES NOT ENSURE EQUITY

No one would argue with the proposition that governments must adopt sound macroeconomic policies to create an environment in which economic growth can occur. However, as we have seen in the United States over the past decade, growth in itself does not assure equity. We have more American children living in poverty than a decade ago. We have more hungry and homeless. Our assumption that a "rising tide would raise all boats" has been wrong.

US LEADERSHIP REQUIRED FOR EFFECTIVE ASSAULT ON POVERTY

I have been struck recently by an emerging phenomena of the new post cold war era: the tendency of Germany and Japan to make independent decisions on major issues of concern to Americans. In the 1990s the importance of European and Far Eastern views on aid (and trade) issues will continue to grow. US bilateral aid as a percentage of aid provided by multilateral institutions will continue to fall.

Congress has repeatedly urged the World Bank to pay more attention to poverty issues. Last year, we passed P.L.101-240 which directed the Administration to advocate that the World Bank adopt as a major objective the increase of the productive role of the poor in the economies of developing countries and development of strategies to enhance human resources. At a Hunger Committee hearing last month we heard testimony that the Bank appears to be responding. For example, the Bank, in a recent report said, in addition to sound macroeconomic policies, we need a development strategy which is "people centered" - one in which meeting basic human needs and developing peoples abilities are top priorities.

Does AID agree? Is the Administration providing leadership to the Bank, and other donors. In AID's Congressional Presentation this year, it said assistance to African countries would be concentrated on those with "the most growth potential" - on "high performers." Will AID also take need into account in allocating resources? Will AID consider whether the recipient government is serious about combatting poverty?

If our bilateral economic aid program is to have continued relevance it must be motivated by a vision which influences other governments and institutions. We will not be able to effectively leverage our aid if we continue priorities and policies of another era.

Throughout history there have been periods in which international relationships have been frozen allowing leaders few, if any, options for new, constructive initiatives. And there have been times of flux in which individual decisions have shaped the future.

Today, the Administration is understandably focusing its energies on trying to build new structures in Europe to replace the East-West division of the cold war. However, we will fail in our moral and diplomatic responsibilities if we slight the needs of the billion of our fellow human beings who through an accident of history live in poverty in developing countries. We have a rare opportunity to change assistance priorities and improve their lives.

I hope our discussions today and in the coming months will help the Administration begin to construct a foreign aid program which reflects our country's best humanitarian values: one in which all Americans can take pride. I look forward to learning today how we can shape a genuine HUNGER BUDGET.

PREPARED STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

TODAY'S EXAMINATION OF AID'S PRIORITIES IS EXTREMELY TIMELY. AS MANY IN THE DEVELOPMENT COMMUNITY ARE SAYING, THE END OF THE COLD WAR DEMANDS A NEW FOREIGN AID PROGRAM TO MEET THE NEW NEEDS OF A RAPIDLY CHANGING WORLD. THIS MORNING'S HEARING WILL TAKE A LOOK THE ROLE AID WILL PLAY IN THE YEARS AHEAD IN HELPING TO SHAPE THAT WORLD.

THE MAIN INTEREST OF THE HUNGER COMMITTEE HAS BEEN, AND WILL REMAIN, PEOPLE. WE BELIEVE THAT AID'S GOAL SHOULD BE TO HELP POOR PEOPLE IN DEVELOPING COUNTRIES TO HELP. THEMSELVES. WHILE HELPING TO REFORM GOVERNMENT POLICIES IS AN IMPORTANT AID FUNCTION, IT'S NOT THE WHOLE PICTURE. DEVELOPING A STRONGER ECONOMY IN DEVELOPING NATIONS IS ALSO IMPORTANT, BUT THAT'S NOT THE WHOLE PICTURE EITHER. AID PROGRAMS MUST GIVE PRIORITY TO IMPROVING THE LIVES OF THE POOREST PEOPLE IN THE DEVELOPING WORLD. IF WE CREATE A THIRD WORLD ECONOMY THAT ONLY SOME PEOPLE ARE ABLE TO PARTICIPATE IN, WE ALSO CREATE A PERMANENT THIRD WORLD UNDERCLASS THAT LOCKS OUT THE POOR, AND ASSURES THAT THEY WILL ALWAYS REMAIN POOR.

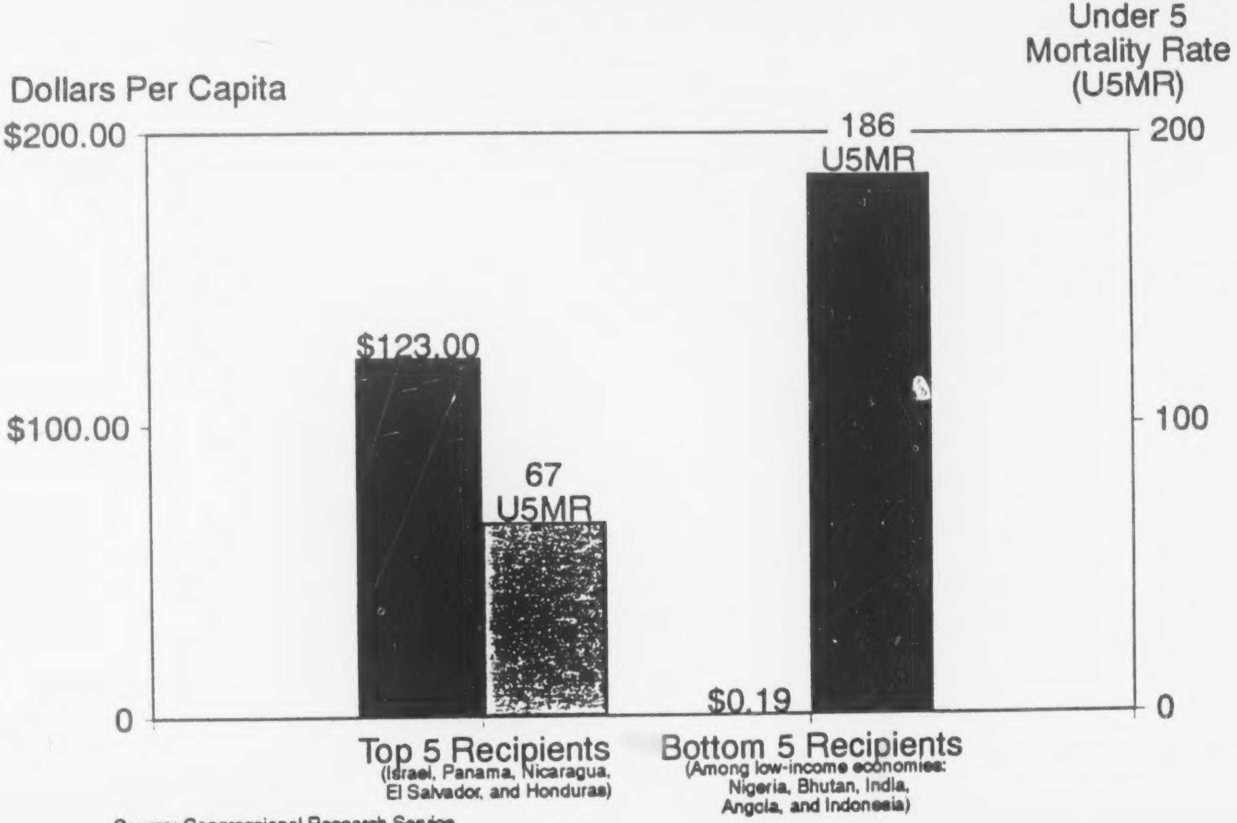
THE HUNGER COMMITTEE HAS JUST RETURNED FROM A TRIP TO PANAMA AND PERU WHERE WE SAW TWO VERY DIFFERENT AID APPROACHES TO DEVELOPMENT. IN PERU WE FOUND A PROGRAM THAT MET AND SUPPORTED THE NEEDS OF THE POOREST PERUVIANS, DESIGNED TO HELP AND FEED PEOPLE, THROUGH A VARIETY OF PROGRAMS FOCUSED ON THE INFORMAL SECTOR. THE AID PROGRAM IN PERU IS REALLY MEETING THE NEEDS OF THE PEOPLE, AND HELPING THEM IN THEIR LIVES. AS CHAIRMAN OF THE HUNGER COMMITTEE, I WAS VERY PLEASED AT WHAT I SAW. AS AN AMERICAN, I WAS PROUD OF WHAT MY COUNTRY WAS DOING TO HELP PEOPLE IN NEED.

IN PANAMA, BY CONTRAST, WHERE I WAS TOLD THAT ESTIMATES OF CHILD MALNUTRITION WERE BETWEEN 30-70 PERCENT, THE PROGRAM WAS NOT DIRECTED AT THEIR NEEDS, BUT INSTEAD AT TRYING TO "JUMP-START" THE ECONOMY. IN A COUNTRY WHERE TEACHERS DON'T ASK CHILDREN TO STAND IN CLASS BECAUSE THEY OFTEN FAINT FROM HUNGER, IT DOESN'T MAKE SENSE TO SPEND ALL OUR RESOURCES ON "JUMP-STARTING" THE ECONOMY. THE ECONOMY IS MADE UP OF AND BY THE PEOPLE, AND IF THE PEOPLE DON'T HAVE ENOUGH TO EAT, I DON'T CARE HOW MUCH "JUMP-STARTING" YOU DO, THE ECONOMY ISN'T GOING TO MAKE IT. AID'S PRIORITY OUGHT TO BE TO SUPPORT THE HEALTH AND EDUCATION OF THOSE CHILDREN, AND THEIR PARENTS, BECAUSE THEY'RE GOING TO BE THE MUSCLE THAT BUILDS THAT ECONOMY. FIRST GIVE THE PEOPLE ENOUGH TO EAT, AND DECENT HEALTH CARE, FIRST GIVE THE CHILDREN FOOD SO THEY DON'T FAINT IN SCHOOL. THEN JUMP START THE ECONOMY.

I CAME BACK FROM LATIN AMERICA WITH SOME PRAISE AND SOME QUESTIONS ABOUT THE DIRECTION AID IS MOVING IN, AND I'M GRATEFUL TO MR. DORGAN FOR CONVENING THIS IMPORTANT HEARING TODAY, AND I LOOK FORWARD TO HEARING FROM OUR WITNESSES.

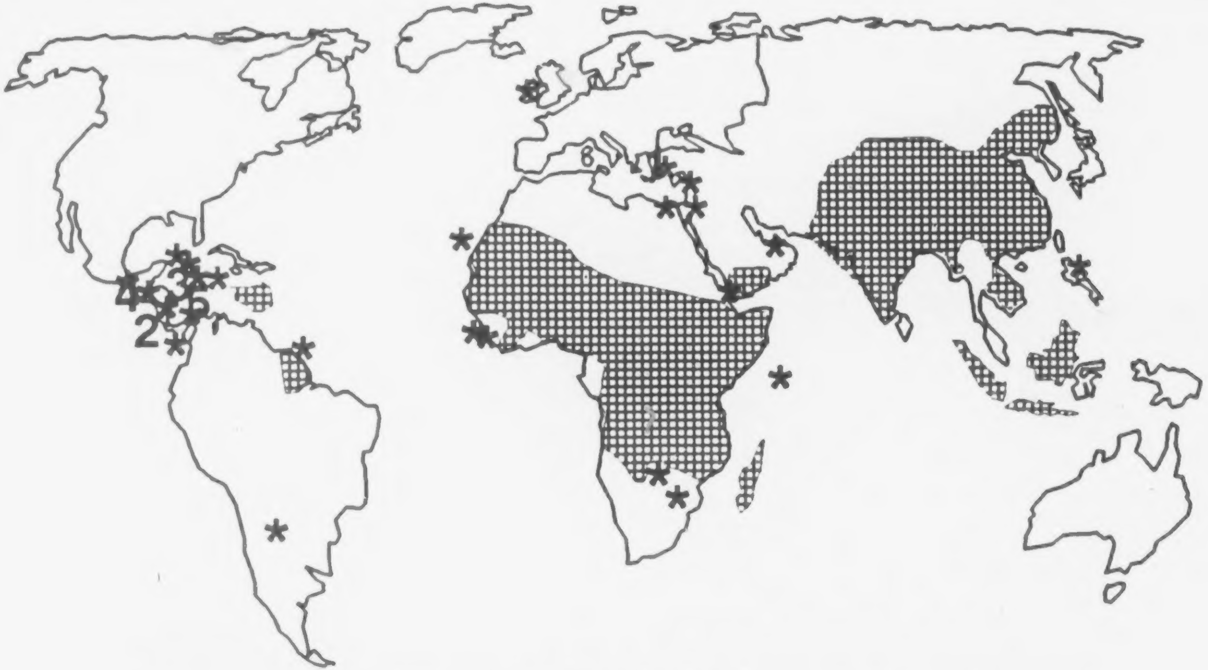
-30-

Where U.S. Economic and Food Aid Goes: Winners and Losers



Source: Congressional Research Service

Where U.S. Economic and Food Aid Goes: Winners and Losers



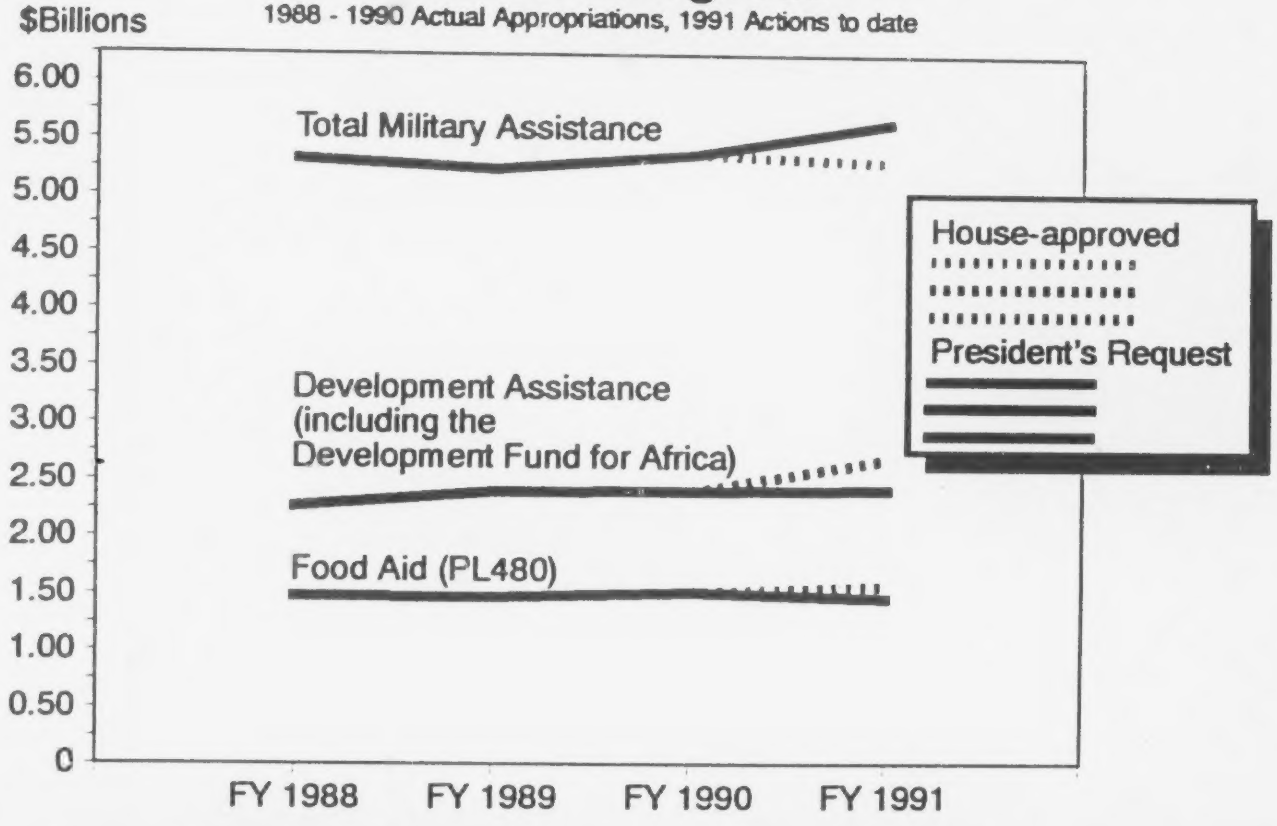
1-5 and * = Top 30 U.S. Per Capita Aid Recipients

▦ = Low-income Economies

Sources: Congressional Research Service and World Bank, World Development Report, 1990.

Trends in Foreign Aid

1988 - 1990 Actual Appropriations, 1991 Actions to date

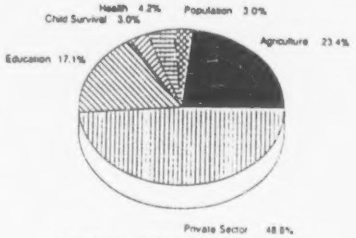


Sources: AID Congressional Presentation (Fiscal Years 1989 and 1991); Interaction, "Monday Developments," July 9, 1990; H.R. 5268 as approved by the House.

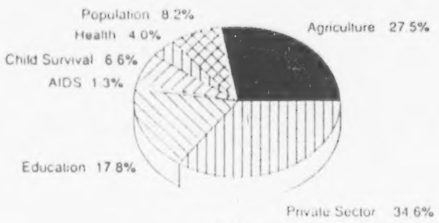
U.S. DEVELOPMENT ASSISTANCE

Priorities in and across regions

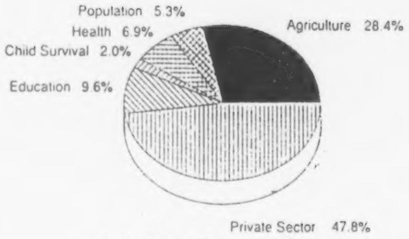
Fiscal Year 1990



Latin America & Caribbean
30.9%



Africa
21%



Asia, Near East, and Europe
48.1%

including Development Assistance,
Development Fund for Africa, and
developmental Economic Support Funds

Prepared by: Select Committee on Hunger

PREPARED STATEMENT OF REGINALD J. BROWN, ASSISTANT ADMINISTRATOR, BUREAU FOR PROGRAM AND POLICY COORDINATION, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Good morning and thank you for inviting me to this hearing. As the agency within the Executive Branch responsible for implementing the U.S. bilateral foreign assistance program, the Agency for International Development is at the forefront of human, social and economic development programs in developing countries. The alleviation of both the symptoms and causes of poverty and hunger constitute central themes in our program. This is why we rely on the counsel of this Committee to help guide and reinforce our work.

We -- all of us in the development community -- can be proud of the gains achieved in the world of development assistance:

- Small pox has been eliminated from the world;
- More than half the children in developing countries enter primary school;
- Millions of children are alive today because of child survival programs;
- People throughout the developing world are living longer -- as much as ten to twenty years longer;
- And the massive food shortages projected for India and Bangladesh in the 1970s have been averted.

In some countries, life really is a lot better than it was twenty years ago. But in other countries, misery and violence are rampant. Where there is little underlying economic progress, gains in health care, literacy, sanitation and shelter are slipping away. Poverty is casting a longer and longer shadow. Twenty years ago, the A.I.D. mission in Ethiopia was optimistic because solid progress was being made, particularly in agriculture. Today, simple survival is a daily struggle for most Ethiopians. Improvements that last and multiply are what we need to foster, but it's not easy.

Understandably, our instinct as human beings is to rush to "fix" conditions of hunger and deprivation. This is one of the reasons that our disaster work is so gratifying: American largess is distributed to grateful victims in their time of need. After an earthquake or flood, the U.S. response is invariably quick and effective. Yet, when it comes to long-term development, there is no such thing as a quick fix. Development money can be sadly wasted if we succumb to the temptation to address the symptoms of poverty rather than the causes of poverty. For instance, if we provide innoculations for children but fail to make innoculations part of the health care delivery system in a developing country, we protect one child -- but the brothers and sisters of that child, as well as future generations of children, go unprotected. This is why institutional development and training have become vital components of our efforts to address poverty and underdevelopment in a lasting manner.

Our commitment to attacking the root causes of poverty is why so much of our attention must be devoted to the longer-term consequences of our foreign assistance programs. If we are to really break the cycle of poverty -- not simply make poverty more tolerable -- we must also attack the economic and social policies which feed this disease:

- Policies that hinder the ability of low income groups to better themselves -- that keep agricultural prices artificially depressed and subsidize programs aimed at the urban elite;
- Policies that encourage the squandering of natural resources and actually support exploitation for short-term gain;
- Policies that ignore individual property rights of citizens and actively discourage new businesses and competition through harshly unrealistic licensing procedures, driving the poor into an underground economy.

Where the policy climate has been conducive to growth and where economic growth has been broadly-based, family income, food availability, life expectancy and other measures of development have registered impressive gains. For example, while slow growing countries struggle with stifling illiteracy, Korea now enrolls 90 percent of its children in high schools and sends 26 percent of its high school graduates on to college. Productivity and rising incomes provide both individuals and governments with the resources they need to invest in their own health services, education and housing. Our objective is to help bring developing countries to the point where they can multiply the improvements foreign assistance programs introduce.

Experience has shown that where higher incomes can be generated, better diets follow, as does better health care, education and the like. Higher incomes, of course, are attributable to a healthy, expanding economy. We also know that with an increase in the availability and consumption of food, productivity -- both physical and mental -- increases. This increase in productivity further fuels economic growth. In-time, this cycle becomes self-sustaining. Benefits spread in an ever widening circle. Once a country is firmly launched on this path of economic growth and people have the wherewithal to secure basic needs, there is a lessened dependancy on foreign assistance. We would like nothing better than to be put out of business because our "clients" are no longer in need of our services.

To be sure, many of our programs have a direct role to play in addressing the multifaceted symptoms of poverty such as hunger, malnutrition, disease, unemployment, illiteracy and homelessness. Food aid is one such mechanism for directly attacking hunger and malnutrition.

U.S. food aid programs are jointly administered by the Agency for International Development and the Department of Agriculture. The P.L. 480 program offers a mechanism to translate into action the concern which Americans have for the poor in developing countries.

Food aid is provided for emergency assistance resulting from wars, famines, earthquakes and other natural or man-made disasters. Food aid is regularly programmed to alleviate chronic malnutrition, which mostly affects pregnant and lactating mothers and small children. Also, food aid is used for longer term development programs designed to help eliminate the causes for hunger. As such, food aid has become a recognized legitimate development resource in its own right.

During the 35 years of the Food for Peace program, over 300 million tons, valued at over $35 billion has been delivered to people in need on every continent.

A.I.D. is consistently striving to enhance the utility of food aid as a development and humanitarian resource. Much of our thinking of what a food aid program should look like, of what its objectives should be, and how it should operate is focused on developing the most appropriate role for food aid in helping to reduce widespread food insecurity in the poorer countries of the world.

Other activities have a less direct, but nonetheless critical, role to play in our strategies for alleviating hunger and poverty. Family planning, for example, is a vital component of any comprehensive plan to attack hunger and malnutrition. Undernourished children are twenty times more likely to die than well-nourished children in the same environment. Families who fear their children will die have more children than they really want, which in turn increases the likelihood that those children will be malnourished. Health programs are another example of hunger-related initiatives. We know that high exposure to disease coupled with low resistance (due to malnutrition) and poor preventative, promotive and curative health services reduces the nutritional benefit of the food that is ingested.

The effectiveness of A.I.D.'s hunger and poverty alleviation efforts are in evidence throughout the world. A report prepared by the National Center for Food and Agricultural Policy at Resources for the Future confirms that A.I.D.'s field-tested interventions have and are continuing to make a difference by way of:

-- Nutrition Diagnostics and Monitoring: wherein data on nutrition and food consumption is analysed and incorporated in policy and program strategies for food and health insecure populations;

-- Breastfeeding Promotion: which educates physicians, hospital personnel and the community about the nutritional benefits and cost savings of breastfeeding;

-- Growth Promotion: children under three and mothers are provided nutrition education, nutritional supplements and maternal/child health care through the umbrella of growth monitoring;

-- Nutrition Social Marketing: nutrition education is disseminated through community diagnosis of problems, behavioral trials of educations messages and the use of mass media.

But these activities will have little lasting impact if improvements last only as long as the life of the project. Beyond wasted resources, short-lived project benefits can result in hopelessness and cynicism on the part of the poor themselves. The impact of failed development projects can be far more cruel than that which is revealed in an unfavorable audit.

There is much to be proud of in the world of development assistance, but there is also much left to be done. I believe we are on the right course. But we must maintain this careful balance between short-term interventions -- which ease conditions of hunger and deprivation -- with longer-term efforts that correct systemic imbalances in a country's social and economic structures. Too heavy a concentration of effort or resources on either side of this continuum can, in the end, cripple our endeavor.

In this regard, the recent World Bank study, "World Development Report 1990" suggests:

> "...that rapid and politically sustainable progress on poverty has been achieved by pursuing a strategy that has two equally important elements. The first element is to promote the productive use of the poor's most abundant asset--labor. It calls for policies that harness market incentives, social and political institutions, infrastructure, and technology to that end. The second is to provide basic social services to the poor. Primary

health care, family planning, nutrition, and primary education are especially important."

Within our finite resources, this is precisely how we are approaching development. Our challenge is to have the capacity to aim these limited resources to those developing countries which have a commitment to reduce poverty and a willingness to adopt policies and programs to meet this commitment. One good example along these lines is the Development Fund for Africa, now in place for three years, which is showing very positive signs that this is possible.

I will be happy to take your questions.

U.S. ASSISTANCE TO PANAMA

Panama is emerging from a severe political and economic crisis which culminated in the December military action by the United States, necessary to restore democracy to a country that had been trapped in a ruinous dictatorship. The loss of national income and employment in the last two years of the Noriega regime was enormous: the GDP declined by nearly one-fifth, and the national unemployment rate rose to about 20 percent. Moreover, the functions and administration of the executive, judiciary, and legislative branches of government had to be reestablished and restructured to allow the proper functioning of a political democracy.

The Panama aid program is designed to stimulate the fastest possible recovery of that country's economy, thus helping to solidify political and social stability. Of the $420 million in Economic Support Funds provided for Panama under the FY 1990 Supplemental, $351.75 million has been made available as cash transfer assistance to alleviate, in concert with other donors, the short-term liquidity and budgetary resource shortages and to encourage adoption of policy reforms to ensure sustained growth in the future.

A portion of the cash transfer aid, approximately $114 million will be ~~used~~ by the Government of Panama for public sector investment activities. The government, which has the technical capability to determine budget priorities for meeting the most pressing needs, has thus far approved investment projects totalling $51 million. The approved investment budget allocations include $6.3 million for repairs and renovation of health facilities throughout the country; $6.6 million for constructing, repairing and equipping schools; and $20 million for a Social Emergency Fund to finance labor-intensive community development projects carried out by private and voluntary organizations and other local community groups. These investments, together with $107.9 million for revitalizing private enterprise, will create new jobs, restore public social services, and improve the living conditions of Panamanians, including children.

A.I.D.'S ASSISTANCE TO ZAIRE THROUGH PVOS

More than 20 percent of A.I.D.'s development resources in Zaire are channeled through private voluntary organizations (PVOs). Various modalities are used: the A.I.D. Mission's PVO umbrella project, a majority of health sector activities, and a number of agricultural projects. The Mission is working with more than 50 different PVOs, almost all of which are indigenous. Four U.S. PVOs--the Experiment in International Living, Population Services International, Technoserve, and ORT--are carrying out various A.I.D.-funded activities in Zaire. While A.I.D. does work with the Government of Zaire on some projects, no dollar resources flow to or through Zairian government institutions.

In addition to PVO activities, new A.I.D. dollar funding in FY 1990 was channelled through private technical assistance contractors, U.S. agencies (e.g., Centers for Disease Control in Atlanta), training institutions, and suppliers of goods and services. As a result of the A.I.D. Mission's strict monitoring of all resources, corruption has not been a problem. This has been confirmed by numerous audits carried out by the A.I.D. Inspector General's office.

RECENT TRENDS IN ECONOMIC VERSUS MILITARY ASSISTANCE

The table below provides data on economic and military assistance levels in the foreign assistance budget over a seven-year period. Please note that FY 1990 levels do not include the recent supplemental.

BUDGET LEVEL COMPARISIONS
($ Millions)

	FY 1985		FY 1986		FY 1987		FY 1988		FY 1989		FY 1990		FY 1991	
Military vs Economic Assistance														
Military 1/	5,838.3	31%	5,739.2	40%	4,595.0	34%	5,259.0	39%	4,286.5	33%	5,215.5	37%	5,430.1	36%
Economic	12,747.0	69%	8,607.4	60%	8,864.8	66%	8,360.0	61%	8,715.4	67%	8,855.1	63%	9,554.0	64%
Total	18,585.3	100%	14,346.6	100%	13,459.8	100%	13,619.0	100%	13,001.9	100%	14,070.6	100%	14,984.1	100%
Humanitarian vs Security Assistance														
Humanitarian 2/	6,496.2	35%	4,760.4	33%	4,901.5	37%	5,023.7	37%	5,295.7	41%	5,516.9	39%	6,110.8	41%
Security 3/	12,047.1	65%	9,543.1	67%	8,512.7	63%	8,597.6	63%	7,665.9	59%	8,513.5	61%	8,832.9	59%
Total	18,543.3	100%	14,303.5	100%	13,414.2	100%	13,621.3	100%	12,961.6	100%	14,030.4	100%	14,943.7	100%
Forms of Economic Assistance														
Multilateral	1,906.9	15%	1,403.6	16%	1,444.4	16%	1,450.2	17%	1,540.7	18%	1,743.3	20%	1,961.3	21%
Development	2,527.9	20%	2,065.8	24%	2,198.2	25%	2,328.3	28%	2,400.9	28%	2,409.9	27%	2,424.5	25%
Economic Support	6,159.8	48%	3,761.5	44%	3,876.2	44%	3,269.4	39%	3,301.5	38%	3,229.0	36%4/	3,358.0	35%
PL 480	1,964.0	15%	1,243.3	14%	1,083.1	12%	1,059.6	13%	1,098.1	13%	978.2	11%	897.9	9%
SAI	---	---	---	---	---	---	---	---	---	---	159.3	2%	500.0	5%
Other	653.6	5%	579.4	7%	697.2	8%	721.6	9%	870.9	10%	823.2	9%	910.0	10%
Trust Funds	13.8	0%	10.9	0%	14.5	0%	13.5	0%	25.3	0%	9.1	0%	9.0	0%
Receipts	(479.0)	-4%	(457.1)	-5%	(448.8)	-5%	(482.6)	-6%	(522.0)	-6%	(496.9)	-6%	(506.7)	-5%
Total	12,747.0	100%	8,607.4	100%	8,864.8	100%	8,360.0	100%	8,715.4	100%	8,855.1	100%	9,554.0	100%

These levels reflect budget authority and are net of receipts.

1/ Includes Military Assistance Program, International Military Education & Training, Foreign Military Sales, and Guaranty Reserve Fund.
2/ Includes Multilateral Assistance, Development Assistance, and other bilateral economic assistance (Subfunction 151). Also includes Foreign Service Retirement & Disability Fund (from Subfunction 153).
3/ Includes Military Assistance and the Economic Support Fund (Subfunction 152).
4/ Excludes $50 million rescission from unobligated funds carried over from FY 1989.

budcomp #15
02-Feb-90

A.I.D. ADVISORY COMMITTEE ON MICROENTERPRISE DEVELOPMENT

John T. Rigby, Chairman Mr. Rigby is President of the New TransCentury Foundation. He is an attorney and was a partner at Arnold & Porter until 1973 when he left the firm to work in international development. From 1973 until 1982 he was the Executive Director of International Voluntary Services. From 1982 until he joined New TransCentury in 1984, he was involved in small business development with Appropriate Technology International.

Jeffrey Ashe Mr. Ashe is a consultant who has been involved in microenterprise development for many years. He was with Accion International for over 10 years and was the principal author of A.I.D.'s "PISCES Report".

Christopher Baker Director of the Washington Office of the World Council of Credit Unions. As Chairman of the Cooperative Development Planning Task Force, Mr. Baker has assessed overseas development experiences and identified strategies for greater cooperative impact.

J. Peter Bittner Senior Director for International Development Programs, National Cooperative Business Association. Mr. Bittner brings the cooperative perspective to the Committee. He spent 14 years at A.I.D. principally as a private enterprise officer.

David C. Bjerke President and Chief Executive Officer of Management Advisory Services, Inc., a Seattle-based management and financial consulting company. He has a M.B.A. in Finance and Accounting from the University of Washington and was an Assistant Vice President and manager of Business Advisory Services for the Trust Division of Seattle-First National Bank prior to founding Management Advisory Services. Mr. Bjerke has trained small business owners in financial management in many developing countries, including Fiji, Papua New Guinea, and the Solomon and Cook Islands. His firm also has presented a small business growth course to A.I.D. personnel in Washington.

Edward Bullard President of Technoserve, a firm specializing in technical assistance to small firms in developing countries.

William Burrus Executive Director, Accion International. Accion is one of the leaders in microenterprise activity, currently lending more than $2.5 million per month in Latin America and the Caribbean.

Margaret Clark Ms. Clark is a Program Officer in the Rural Poverty and Resources Program of the Ford Foundation in New York, where she is in charge of small enterprise and poverty alleviation programs. Until 1988, she was Manager of Small Enterprise Credit Programs for Save the Children Federation.

Larry Frankel Director of Small Enterprise Development, CARE. Mr. Frankel has trained West African cooperatives in the use of credit. Under his leadership, CARE's portfolio of credit projects has doubled from 16 to 32.

Claudio Gonzalez-Vega Professor of Finance and Development at The Ohio State University. Professor Gonzalez-Vega is one of the leading scholars in the field of microenterprise credit. He has published widely on rural finance and agricultural credit and has considerable experience working with A.I.D. in the field and with the Science and Technology Bureau in Washington.

John Hatch President of FINCA. FINCA makes $50 - $300 loans to thousands of mothers in rural and urban areas of nine Latin American countries.

Mary Houghton President of Shorebank Corporation, Chicago, Illinois. South Shore Bank is among the most active U.S. financial institutions involved in lending in poor and marginalized U.S. communities. Ms. Houghton is a board member of OEF International and has examined first-hand the Grameen Bank in Bangladesh.

Steve Knaebel General Manager of Cummins, S.A., a major distributor of diesel engines in Mexico. Prior to joining Cummins, Mr. Knaebel was A.I.D. mission director in Costa Rica. He has had overseas experience with the Rockefeller Brothers Fund housing programs in Brazil and Mexico. He received his B.A. and M.B.A. from Stanford University. He started a microenterprise development foundation in Mexico and has been active in private sector promotion of microenterprise activities.

Janet Tuthill Director for Africa, Management Systems International. Ms. Tuthill is a senior trainer in financial management and enterprise design and management. She has extensive technical expertise in microenterprise development and has had a major involvement in an integrated private enterprise development project in Africa.

Michaela Walsh President of Woman's World Banking, an institution with extensive experience in the development of indigenous lending institutions in developing countries. Ms. Walsh has 19 years of experience in international finance as a partner in an investment banking firm, seven years as a program associate at the Rockefeller Brothers Fund, and two years at the U.S. Congress Office of Technology Assessment. She has served on the Advisory Committee on Voluntary Foreign Aid.

Alfred A. Whittaker Former President of Bristol-Myers International and a board member of the Institute for International Development, Inc. (IIDI). Now retired, Mr. Whittaker had a distinguished business career and was active in the formation of IIDI, an organization of American businessmen supporting lending programs to small borrowers through developing country affiliates.

CONGRESSIONAL CONSULTATIONS - MICROENTERPRISE

On March 9, 1990, the following congressional staff attended an A.I.D. microenterprise briefing held on the Hill:

Donna LaTorre (HFAC)
Geoff Wastermayer (Lukens)
Tracy Morris (Meyers)
Sam Kaplan (Miller)
Raja Nazrin (Miller)
Vivek Varma (Synar)
Johanna Coenen (Kleczka)
Andrea Adelman (Gejdensen)
Ruth Scott Hill (Sanford)
Ted Hollingsworth (DeWine)
Vince SanFuentes (Sarbanes)
Bob Jackson (Select Committee on Hunger)
George Ingram (Fascell)
Margaret Goodman (Fascell)
Neil Levine (Feighan)

Meetings since March 1990 on Microenterprise have included the following staff:

Eric Scheinkopf (Inouye)
Paul Jacobsen (Rudman)
Eric Newsom (Leahy)
Jim Bond (Kasten)
Laura Hudson (Johnston)
Chip Walgren (DeConcini)

Terry Peel/Mark Murray (Obey)
Margaret Goodman (Fascell)
George Ingram (Fascell)
Gerry Pitchford (HFAC)
Paul Berkowitz (Gilman)
Neil Levine (Feighan)
Thad Bereday (Gilman)
Donna LaTorre (Gejdenson)

A.I.D.'s LEARNING EXPERIENCE FROM MICROENTERPRISE EXPERIMENTS

As you undoubtedly know from the substantial literature A.I.D. has published on the subject, we have been aware of most, if not all, of the experiments in microenterprise credit around the world, to which you referred. We have utilized Grameen bank, Indonesia's KUPEDES and BKK programs, and other experiences as illustrations of microenterprise programs providing large numbers of small loans and having high recovery rates. We have learned from the successful aspects of these cases, as well as from the unsuccessful aspects of these cases and others, about how to improve the efficiency of micro-lending programs.

It may be helpful to consider some of the changes in A.I.D.'s microenterprise portfolio that illustrate why we believe that we are increasingly successful in attempting to address the developmental concerns that we share with you.

First, the average loan size has dropped significantly. A.I.D.'s microenterprise stocktaking report, which surveyed the portfolio during the middle 1980s, found that average loans were over $500 for enterprise formation programs and over $700 for enterprise expansion programs. In contrast, the average loan sizes in 1988 and 1989 for all A.I.D. microenterprise loans were $329 and $387, respectively. This is a significant change in a short time, and reflects learning about microenterprise lending by A.I.D. and its grantees. At the same time, the total amount of funding devoted to loans is increasing rapidly. In 1988, 31 percent of total microenterprise funds were used directly as loan capital. That percentage rose to 37 percent in 1989, and it is estimated it will reach 44 percent in 1990. Thus, if one observes A.I.D.'s program over time, the trend toward more and smaller loans is clear.

The Advisory Committee on Microenterprise, established at Congressional Request, has noted that implementing changes in microenterprise lending "is not always easy". Given the complexities involved in reorienting PVO/NGO programs and retraining their staffs in line with new directives, we, as an Agency, have been pleased with this progress.

PERFORMANCE UNDER THE DEVELOPMENT FUND FOR AFRICA

Below is the "Report to Congress on the FY 1990 Development Fund for Africa Budget." It, as well as the Africa Overview in the Africa volume of our FY 1991 Congressional Presentation, Annex I, explains how the Development Fund for Africa has enabled A.I.D. to respond more flexibly and effectively to African development needs.

REPORT TO CONGRESS ON THE FY 1990 DEVELOPMENT FUND FOR AFRICA BUDGET

Introduction

The conference report accompanying the FY 1990 Appropriations Act directs A.I.D. to continue to implement the Development Fund for Africa (DFA) in accordance with the statement of managers accompanying P.L. 100-202. That document directs A.I.D. to inform Congress of various aspects of the Sub-Saharan Africa development assistance budget. This report is submitted in response to that requirement.

The specific information requested by Congress includes details regarding: (a) the proposed functional allocation of funds for each assistance recipient in Sub-Saharan Africa; (b) the objectives of the assistance; (c) the interrelationships among the various components of the A.I.D. country programs as they relate to the achievement of overall program objectives; (d) the purposes for which regional funds are allocated; (e) the specific countries which are expected to benefit from regional funds; and (f) the steps A.I.D. is taking to procure A.I.D.-financed commodities in the U.S. to the extent consistent with program objectives, in light of the flexibility in the procurement of goods and services provided in the legislation.

The FY 1991 Congressional Presentation (CP) describes A.I.D.'s progress to date and future objectives in response to the opportunities presented in the special appropriation for Sub-Saharan Africa initiated in FY 1988. The CP also contains a description of each country program and addresses the interrelationship of the various country program components and their relation to overall program objectives. An explanation of the purposes for which regional funds are allocated is included in the CP under "Africa Regional." These items respond to b, c and d above.

This report conveys the rest of the requested information (items a, e and f above). This includes:

- FY 1990 country allocations in the three areas of special concern to Congress -- population, health/child survival, and natural resources management (Table I);

- Expected country allocation of regional funds (Table II); and

- A statement describing steps A.I.D. has taken in response to having greater flexibility in the procurement of goods and services.

Functional Allocations (Table I)

A.I.D. intends to meet and will try to exceed the 10% funding targets set by Congress for population, health/child survival, and natural resources management in FY 1990. Consistent with the report accompanying the FY 1988 Continuing Resolution, A.I.D. will do so through a combination of resources from the DFA and A.I.D.'s centrally-funded programs.

As shown on the attached Table I, the DFA portion of funding for these targets for FY 1990 is planned at $42.1 million for population activities, $46.2 million for health and child survival programs, and $53.5 million for natural resources management and biological diversity. In addition, functional account funds allocated to the Africa Bureau are planned for obligation in the target areas as follows: $9.2 million for health and child survival and $2.7 million for population.

With the inclusion of centrally-funded program resources, we anticipate exceeding all three targets. We are currently refining our estimates of central program resources planned for sub-Saharan Africa in FY 1990. Approximate levels for the target areas are: $32.5 million for population, $13.6 million for health and child survival, and $8.0 million for natural resources management.

Regional Program Allocation (Table II)

As discussed in the FY 1991 Congressional Presentation, FY 1990 Africa Bureau regional programs total $147.2 million. This includes $97.4 million for the Africa Regional program and $49.8 million for the Southern Africa Regional program. This report discusses the country attribution of $122.1 million of that total, which excludes the following items that are housed under but not considered part of the DFA-funded regional program: (a) the $15 million disaster reserve set-aside and (b) $11.5 million in functional account funds allocated to the Africa Bureau, such as those referred to above for target areas. Also not included in this report are planned mission "buy-ins" from country budgets which are transfered to the regional program budget as buy-ins are executed during the fiscal year. Finally, the African Economic Policy Reform Program, which is not part of the Africa Regional program, is not discussed in this report.

The attached Table II shows planned country attributions of FY 1990 regional program funds where such attributions can be made.

Procurement

The FY 1988 Continuing Resolution and the FY 1989 and 1990 appropriations acts provide that Section 604(a) of the FAA of 1961 and similar provisions of law do not apply with respect to the implementation of DFA-funded activities. This in effect provides a blanket waiver of the requirement to limit procurement to U.S. sources, thus facilitating operations by not requiring waivers for individual activities.

The statement of managers accompanying the FY 1988 Continuing Resolution and by referral subsequent appropriations acts ask A.I.D. to report on the steps being taken to maximize procurement of goods and services from the U.S. to the extent feasible. The Agency has taken the following steps in this regard:

(1) Specific guidance has been provided to field missions on maximizing U.S. procurement involving ocean shipping or air travel and transportation services, agricultural commodities, motor vehicles, pharmaceuticals, fertilizer, construction services and participant training.

In some cases, specific documentation is required before non-U.S. procurement is permitted (air transportation, agricultural commodities); in others, existing A.I.D. policies are unchanged (ocean shipping and pharmaceuticals).

For participant training, as well as technical assistance, the Bureau has indicated its expectation that virtually all long-term requirements will be satisfied from U.S. sources.

(2) Missions submit annual reports on the value of DFA procurement by geographic source and on the impact this new flexibility has had on portfolio implementation. We also are continuing to develop a formal tracking mechanism of performance against procurement plans. One alternative being explored is a link to the existing automated accounting system which would facilitate reporting specific data on procurement sources.

The impact of this procurement flexibility has varied. It has been minimal in Zaire, for example, where most procurement is from the United States. However, Cameroon finds the DFA flexibility to be instrumental in facilitating program implementation and procurement actions. Given the substantial lead time required from project obligation to initial procurement, experience with DFA-funded procurement is still limited. Greater impact will undoubtedly be seen as procurement under projects initiated since FY 1988 increases.

The major areas cited in annual implementation surveys where improvements are expected are in reduction of paperwork (fewer waivers) and in the increased accessibility of short-term training in third countries. This latter advantage is particularly important in francophone countries which rarely have potential training candidates with sufficient English language capability to fully profit from U.S. training.

Data now available on overall DFA procurement for FY 89 show:

- 59% was from the United States;
- 17% was from Western Europe and Japan;
- 12% was from host countries; and
- 12% was from developing nations other than host countries.

Data by type of procurement show:

- Service procurement accounted for over half of all procurement in FY 89. 79% of services were procured from the U.S.
- 57% of training was procured from the United States. This figure would be substantially higher but for the very large in-country training program in South Africa.
- The lowest U.S. procurement figures (32%) were for commodities where traditional trading patterns with Europe and the consequent need for maintenance, spare parts and servicing capabilities in host countries limit the appropriateness of U.S. procurement. These figures are substantially skewed downward due to the heavy procurements for the Mozambique commodity import program from Western Europe, Japan and developing countries other than the host country.

The data for FY 1989 are consistent with the FY 1988 data in terms of total procurement from the United States: approximately 60%. As the expenditure of DFA funds increases, and based on FY 1989 commitment data, we expect that the majority of the procurements in FY 1990 will continue to be from the United States, with Western Europe and Japan sharing second place with host countries, while developing countries other than the host country will account for the balance. Based on these data, it appears that the objective of facilitating implementation while maximizing U.S. procurement is being achieved.

TABLE I

BUREAU FOR AFRICA
PLANNED DFA ALLOCATIONS FOR
NATURAL RESOURCES, POPULATION AND HEALTH/CHILD SURVIVAL
FY 1990
($000)

COUNTRY	NATURAL RESOURCES	HEALTH/ CHILD SURVIVAL	POPULATION
BENIN	0	0	0
BOTSWANA	0	0	1,000
BURKINA FASO	850	630	670
BURUNDI	932	0	0
CAMEROON	0	650	400
CAPE VERDE	0	0	0
CENTRAL AFRICAN REP	0	1,250	0
CHAD	0	750	250
COMOROS	700	0	0
CONGO	0	0	0
COTE D'IVOIRE	0	20	240
EQUATORIAL GUINEA	0	0	0
GAMBIA	495	100	0
GHANA	756	500	3,801
GUINEA	2,000	0	0
GUINEA BISSAU	0	0	0
KENYA	300	1,766	5,864
LESOTHO	916	0	0
MADAGASCAR	13,450	0	1,000
MALAWI	500	4,565	1,285
MALI	1,030	2,965	1,526
MAURITANIA	0	0	0
MOZAMBIQUE	1,875	1,700	0
NAMIBIA	0	0	0
NIGER	4,395	1,800	200
NIGERIA	0	3,020	8,480
RWANDA	1,400	0	3,000
SAO TOME & PRINCIPE	0	0	0
SENEGAL	700	0	0
SIERRA LEONE	0	0	0
SOMALIA	0	120	490
SOUTH AFRICA	0	0	0
SUDAN	0	0	0
SWAZILAND	0	388	0
TANZANIA	1,500	2,500	3,300
TOGO	0	850	0
UGANDA	2,930	650	1,650
ZAIRE	400	7,120	1,830
ZAMBIA	0	0	0
ZIMBABWE	0	200	2,565
AFRICA REGIONAL	8,916	14,640	4,560
SOUTHERN AFRICA REG	9,440	0	0
TOTAL DFA	53,485	46,184	42,111
TOTAL AFR DA <1>	0	9,150	2,683
CENTRAL BUREAUS <2>	8,050	13,642	32,500
GRAND TOTAL	61,535	68,976	77,294

<1> Includes functional account funds allocated to the Africa Bureau for activities such as AIDS, Child Survival and population planning.
<2> These figures are estimates.

3/2/90

EXPLANATION OF TABLE II

Table II, showing planned country attributions of FY 1990 regional program funds where such attribution can be made, consists of three pages preceded by a summary of total regional project attributions by country. The first and second pages show projects for which whole or partial country attribution can be made at this time. We are currently able to attribute to specific countries $81.2 million of the $122.1 million allocated for regional projects. In order of appearance on pages one and two, these projects include:

Africa Regional

Combatting Childhood Communicable Diseases (CCCD)
Africa Labor Development III (AALC III)
African Graduate Fellowship Program III (AFGRAD III)
Family Health Initiatives II (FHI II)
Human Resources Development Assistance (HRDA)
Operations Level Management Development (MEDEX)
International Foundation for Educational Self-Help (IFESH)
Famine Early Warning System (FEWS)
Natural Resources Management Support (NRMS)
African Special Self-Help Development (SSH)
Private Enterprise Development (PRIV ENT)
Private Provision of Social Services (PRIV PROV SS)

Sahel Regional

Sahel Water Data Management III (SWDM III)
Sahel Regional Institutions (SRI)
Promoting Population Policy Development (PPPD)

Southern Africa Regional

Natural Resources Management (NRM)
Export Enterprise Support (EXP ENT)
Regional Rail Systems Support (REG RAIL SYS)
Regional Transport Development II (690-0248)(REG TRNS)
Regional Transport Development II (690-0254)(REG TRNS)
Program Development and Support (PD&S)
Regional Development Transport (REG DEV TRNS)

Regional Development Services Office for East and Southern Africa

Intergovernmental Authority for Drought and Development (IGADD)
Center for African Family Studies (CAFS)

Page three of Table II lists projects which cannot be said to benefit specific countries directly or for which no country attributions can be identified at this time. These projects total $25.2 million, some of which will be attributable by the end of the fiscal year.

As summarized at the bottom of page one, the Africa Regional program, exclusive of Mission "buy-ins", totals $122.1 million, of which $81.2 million is attributable to specific countries and $40.9 million is not currently attributable.

TABLE II SUMMARY

COUNTRY	TOTAL FY 1990 REGIONAL FUNDING
BENIN	184
BOTSWANA	4,450
BURKINA FASO	1,208
BURUNDI	490
CAMEROON	511
CAPE VERDE	402
C.A.R.	759
CHAD	1,002
COMOROS	279
CONGO	214
COTE D'IVOIRE	1,320
DJIBOUTI	217
EQUATORIAL GUINEA	252
GABON	50
GAMBIA	633
GHANA	374
GUINEA	1,572
GUINEA-BISSAU	427
KENYA	1,773
LESOTHO	1,899
LIBERIA	800
MADAGASCAR	317
MALAWI	1,428
MALI	1,285
MAURITANIA	848
MAURITIUS	218
MOZAMBIQUE	12,627
NAMIBIA	35
NIGER	1,582
NIGERIA	3,593
RWANDA	350
SAO TOME/PRINCIPE	234
SENEGAL	983
SEYCHELLES	247
SIERRA LEONE	289
SOMALIA	61
SOUTH AFRICA	0
SUDAN	512
SWAZILAND	1,376
TANZANIA	1,660
TOGO	719
UGANDA	416
ZAIRE	1,533
ZAMBIA	15,478
ZIMBABWE	16,552
TOTAL ATTRIBUTABLE	81,159
UNATTRIBUTABLE	40,924
TOTAL REGIONAL PROGRAM	122,083

2/27/90

PAGE ONE OF THREE

PLANNED COUNTRY ATTRIBUTION OF DFA-FUNDED AFRICA REGIONAL PROJECTS (1)
FY 1990
($000)

COUNTRY	CCCD 698-0421	AALC III 698-0477	AFGRAD III 698-0455	FHI II 698-0462	HRDA 698-0463	REDET 698-0471	IFESH 698-0479	FEHS 698-0466	HHRS 698-0467	SGM 698-9901	PRIV ENT 698-0438	PRIV PROV SS 698-0533
BENIN			122							45		
BOTSWANA		149	55			500				100		830
BURKINA FASO			60					400		155		
BURUNDI	235		170							85		
CAMEROON	60		85						100	85	80	
CAPE VERDE			47						20	40		
.A.R.	509		123						20	90		
HAD			87					400		50		
OMOROS			219							60		
ONGO			122						30	45		
OTE D'IVOIRE	480		223	400	72					95		
JIBOUTI			162							45		
QUATORIAL GUINEA			227							25		
ABON										50		
AMBIA			61						100	45		
HANA		60	122						100	35	40	
UINEA	500	46	146				500		200	35		
UINEA-BISSAU			235							40		
NYA		221	49						130	70		1,170
SOTHO	336	69	49			500				80	75	
BERIA	473	150	97							80		
DAGASCAR			85						140	75		
LAWI	457	26	85						80	90		
LI			24					400	80	95	9	
URITANIA	50		73					400		100		
URITIUS		54	89							75		
ZAMBIQUE			154							75		
MIBIA										35		
ER		64	73				500		40	60		
ERIA	2,325						1,000			35		
NDA			158						80	95		
TOME/PRINCIPE			219							15		
EGAL		75	36							95		
CHELLES			154							60		
RRA LEONE		58	134							80		
LIA			61									
H AFRICA												
N		15	97					400				
ILAND	479	21	36							60	107	
ANIA			85						80	30		
	320	60	190							100		
DA		56	97						80	60		
	1,056	245	182							50		
IA			73						20	85		
BWE		207	85							140		
BUTABLE	7,524	1,556	4,659	400	72	1,000	2,000	2,000	1,300	2,845	311	2,000
RIBUTABLE (2)	2,476	1,444	1,091	1,900	2,478	500	50	500	320	55	4,689	0
TAL PAGE ONE	10,000	3,000	5,750	2,300	2,550	1,500	2,050	2,500	1,900	2,900	5,000	2,000

COUNTRY TOTALS	
BENIN	167
BOTSWANA	1,634
BURKINA FASO	615
BURUNDI	490
CAMEROON	410
CAPE VERDE	107
C.A.R.	742
CHAD	537
COMOROS	279
CONGO	197
COTE D'IVOIRE	1,270
DJIBOUTI	207
EQUAT. GUINEA	252
GABON	50
GAMBIA	206
GHANA	357
GUINEA	1,355
GUINEA-BISSAU	275
KENYA	1,640
LESOTHO	1,109
LIBERIA	800
MADAGASCAR	300
MALAWI	738
MALI	608
MAURITANIA	623
MAURITIUS	218
MOZAMBIQUE	229
NAMIBIA	35
NIGER	737
NIGERIA	3,360
RWANDA	333
SAO TOME/PRIN.	234
SENEGAL	206
SEYCHELLES	214
SIERRA LEONE	272
SOMALIA	61
SOUTH AFRICA	0
SUDAN	512
SWAZILAND	703
TANZANIA	195
TOGO	686
UGANDA	293
ZAIRE	1,533
ZAMBIA	178
ZIMBABWE	432
ATTRIBUTABLE	25,947
UNATTRIBUTABLE	15,503
SUBTOTAL PAGE ONE	41,450

Includes Africa Regional, Sahel Regional and Southern Africa Regional projects.
Unattributable costs of core contract or attributions to be made as fiscal year progresses.

REGIONAL PROGRAM SUMMARY

	ATTRIBUTED	UNATTRIBUTED	TOTAL
PAGE ONE	25,947	15,503	41,450
PAGE TWO	55,212	198	55,410
PAGE THREE	0	25,223	25,223
TOTAL	81,159	40,924	122,083

TABLE II

PAGE TWO OF THREE

PLANNED COUNTRY ATTRIBUTION OF AFR-FUNDED AFRICA REGIONAL PROJECTS (1)

FY 1990
($000)

PROJECT NAME AND NUMBER

COUNTRY	SAHEL REG			SOUTHERN AFRICA REGIONAL							REDSO/ESA		COUNTRY TOTALS
	SHRD III 625-0973	SRI 625-0975	PPPD 625-0978	MBA 690-0251	EIP ENT 690-0245	REG RAIL SYS 690-0207	REG TRNS 690-0240	REG TRNG 698-0254	PDAS 690-0510	MLA DEV TRNG 690-0231	IGADD 623-0003	CAFS 623-0004	
BENIN												17	17
BOTSWANA				2,060	573				100			83	2,816
BURKINA FASO	300	300	160									33	393
BURUNDI													0
CAMEROON												33	33
CAPE VERDE	50	175	70										295
C.A.R.												17	17
CHAD	100	250	75										443
COMOROS													0
CONGO												17	17
COTE D'IVOIRE												50	50
DJIBOUTI											10		10
EQUATORIAL GUINEA													0
GABON													0
GAMBIA	80	175	75									17	347
GHANA												17	17
GUINEA												17	17
GUINEA-BISSAU			135									17	152
KENYA											50	83	133
LESOTHO					573				100			117	790
LIBERIA													0
MADAGASCAR												17	17
MALAWI					573				100			17	690
MALI	240	225	145									67	677
MAURITANIA	60	125	40										225
MAURITIUS													0
MOZAMBIQUE					298	12,000			100				12,398
NAMIBIA													0
NIGER	425	200	220										845
NIGERIA												33	33
RWANDA												17	17
SAO TOME/PRINCIPE													0
SENEGAL	400	275	80									17	777
SEYCHELLES												33	33
SIERRA LEONE												17	17
SOMALIA													0
SOUTH AFRICA													0
SUDAN													0
SWAZILAND					573				100				673
TANZANIA					1,232				100			133	1,465
TOGO												33	33
UGANDA											40	83	123
ZAIRE													0
ZAMBIA				3,000				12,000		250		50	15,300
ZIMBABWE				4,300	573		11,000		100			67	16,130
ATTRIBUTABLE	1,300	1,725	1,000	9,440	4,395	12,000	11,000	12,000	700	250	100	1,102	35,212
UNATTRIBUTABLE (2)	0	0	0	0	0	0	0	0	0	0	100	90	190
SUBTOTAL PAGE TWO	1,300	1,725	1,000	9,440	4,395	12,000	11,000	12,000	700	250	200	1,200	35,410

(1) Includes Africa Regional, Sahel Regional and Southern Africa Regional projects.
(2) Unattributable costs of core contract or attributions to be made as fiscal year progresses.

3/5/90

WORK AND GOALS OF THE OFFICE OF NUTRITION

The Office of Nutrition develops and implements nutrition programs to support activities which impact on nutrition and food security in LDCs. Some of these programs have supported the Bureau of Food for Peace and Voluntary Assistance PL 480 activities, such as recent technical support for a food fortification workshop. Direct feeding programs under PL 480 are ordinarily handled through PVOs, who for some time now have had nutrition education as part of these programs. However, nutritional concerns go far beyond PL 480 programs. Nutritional problems require interventions across a number of sectors, including health, agriculture, food security, natural resources management, education, family planning, and rural development.

As such, the Agency must incorporate consideration of nutrition problems in developing overall strategies for its country programs as well as in project development in the above sectors. The Office of Nutrition has provided support to field programs, particularly through provision of technical assistance, developing of food and nutrition assessments, providing methodologies to monitor nutritional status and food consumption practices, to mention a few.

We are reviewing ways to better incorporate and use available expertise on dealing with nutritional problems in all our programs, not only PL 480 programs.

BASIC EDUCATION LEVELS

Current projections for obligations for basic education under the Development Assistance (DA) accounts and the Development Fund for Africa (DFA) total just over $68 million for FY 1990. These programs are more fully discussed in the report below, our semi-annual report to Congress on A.I.D.'s basic education funding.

It should be noted that this report does not cover basic education programs funded under the Economic Support Fund (ESF). For FY 1990, current estimates are over $36 million in ESF for basic education.

AFRICA REGIONAL PROJECTS NOT ATTRIBUTABLE BY COUNTRY
FY 1990
($000)

PROGRAM	PROJECT NUMBER	PROJECT TITLE	PLANNED FY 90 BUDGET
SAHEL REG	625-0966	ONCHOCERCIASIS CONTROL	2,650
	625-0970	POLICY PROJECT	775
-AFRICA REG	698-0435	STRENGTHENING AFRICAN AGRICULTURAL RESEARCH	4,748
	698-0464	AFRICAN DEVELOPMENT SUPPORT	2,950
	698-0475	AFRICAN TRAINING FOR LEADERSHIP & SKILLS	800
	698-0507	AFRICAN STRATEGIC STUDIES	600
	698-0510	PROGRAM DEVELOPMENT & SUPPORT	4,850
	698-0518	AFRICAN MGT SERVICES CO.	500
	698-0519	POLICY REFORM AND POVERTY	450
	698-0520	IMPROVING AFRICAN ECONOMIC ANALYSIS	400
	698-0522	FINANCIAL SECTOR RESEARCH PROGRAM	500
	698-0523	AFRICA GROWTH FUND	250
	698-0526	PRIVATE VOLUNTARY ORGANIZATION SUPPORT	1,300
	698-0528	FOREIGN INVESTMENT ADVISORY SERVICES	700
	698-0529	AFRICAN WOMEN IN DEVELOPMENT	300
	698-0532	AFRICAN ELEPHANT CONSERVATION	1,000
	698-0534	ENVIRONMENTAL GLOBAL CLIMATE CHANGE	2,000
	698-9801	HUMAN RIGHTS	450
		TOTAL	25,223
OTHER <1>	698-ADAR	AFRICA DISASTER ASSISTANCE RESERVE	15,000
	698-0434	AFRICAN ECONOMIC POLICY REFORM PROGRAM <2>	40,000

<1> These funds are not part of the Africa Regional Program and will be allocated to specific countries.

<2> Excludes $15 mil. transferred to FY 90 Senegal country program level in January 1990.

2/20/90

Drafted by SGrossman:AFR/DP/PAB and GBertolin:AFR/PD:5952F:2/~~5~~27/90

Clearances: AFR/DP/PAB:TBethune
AFR/PD:GBertolin
AFR/DP/PAB:LStamberg
AFR/DP:JGovan /s/
AAA/AFR/DP:JWestley /s/
DAA/AFR:LSaiers /s/
A-AA/AFR:WBollinger /s/
GC/LP:RLester /s/
PPC/PB:NGallup /s/
LEG:JFredericks /s/
LEG:BBennett /s/

A.I.D. Basic Education Funding in FY 1990

This is the semi-annual report to Congress on A.I.D. basic education funding in FY 1990 as required under the provisions of Title II, Bilateral Economic Assistance, Education and Human Resources Development, Development Assistance, of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1990. The earmark for FY 1990 requires A.I.D. to obligate $66 million of DA/DFA funds (50 percent of the section 105 account) in support of basic education. Basic education has been defined by Congress as formal primary and secondary school. Further, the legislation mandates the Agency to initiate three new basic education activities, two of which must be in Africa. A.I.D. fully expects to meet the earmark both in terms of funding levels and in required new starts. A.I.D. is planning FY 1990 new starts in Ghana, Lesotho and Guinea as well as new projects in Ecuador, El Salvador and the Dominican Republic.

Budget: Current DA/DFA obligation projections for FY 1990 as reported by field missions through the AC/SI coding system* are:

AFR:	$20.5
LAC:	$17.2
ANE:	$27.0
S&T:	$ 3.4
TOTAL:	$68.1

*(In FY 1989 A.I.D. developed a new-project classification system which enables the Agency to accurately identify project and program components by function and by purpose. This classification system is being implemented in FY 1990 and was used for the FY 1991 Congressional Presentation.)

New Starts: The Africa Bureau has actively pursued the development of additional programs in new countries and has done so through innovative program/project design including donor collaboration and joint financing of policy reform packages. AFR has also taken the lead in addressing the problems of low enrollment and completion rates for girls. In its sector program in Mali as well as in the design of new activities in Guinea and Ghana interventions responding to the constraints to girls' enrollment and persistence in the education system figure prominently.

This is also the case in other regions, for example the Pakistan program also has a primary objective of increasing girls' school participation in the North Western and Baluchistan provinces.

The following basic education projects and programs will have A.I.D. DA/DFA obligations in FY 1990:

Africa Bureau ($000)

1. Botswana: Jr. Secondary Education Improvement
   663-0229 $2,300

   The project supports curriculum development, improved teaching methods and small business training.

2. Botswana: Primary Education Improvement
   663-0240 $1,000

   The project establishes a Department of Primary Education and an in-service teacher training system at the University College of Botswana.

3. Ghana: Basic Education Program
   (641-0119) $4,000

   The project will provide budget support and targetted technical assistance to the GOG in exchange for policy reform affecting educational efficiency, improving school quality and expanding access to the basic education system.

4. Guinea: Basic Education Support Program
   (675-0222) $5,000

   The project will provide budget support and targetted technical assistance to the GOG in exchange for policy reform affecting educational efficiency, improving school quality and expanding access to the basic education system.

5. Lesotho: Basic and Non-Formal Education Systems
   632-0222 $3,000

   The project provides management information systems training for Ministry Of Education staff, assists with curriculum revision and upgrading of instruction and evaluation services within the basic education system.

6. Lesotho: Primary Education
   632-0225 $1,231

   The project will provide budget support and limited technical assistance to the GOL in exchange for policy reform affecting education efficiency and increasing demand and access to the basic education system.

7. Mali: Basic Education (fully funded in 89)
(688-0258)

The program focus is on monitoring educational policy reform implementation and raising quality of training for primary school teachers, school directors, and regional inspectors.

8. South Africa: Educational Support & Training
674-0302 $2,800

The project supports community-based schools, curriculum development, experimental secondary school scholarship programs, teacher training and efforts to increase the number of disadvantaged South Africans passing the secondary school matriculation exam.

9. Swaziland: Ed. Policy, Management, and Technology
645-0230 $1,000

The project is designed to improve the internal efficiency of the basic education system. Major elements include management training for headmasters, strengthening financial and budgetary procedures, and creating systems for management information and testing.

10. Africa Development Support
698-0464.95 $ 210

A component of the project supports technical assistance to identify new approaches to the provision of basic education in Africa.

11. PD&S REDSO West Africa
698-0510.24 $ 30

AFR SUBTOTAL $20,571

Latin America and Caribbean: Basic Education Obligations.

($000)

1. Bolivia: Radio Learning $ 263
511-0597

The project supports interactive radio instruction for grades 1-3 through a local private voluntary organization. Over the life of the project some 125,000 students will receive instruction by radio in math, language and health.

2. Dominican Republic: Private Primary Education $ 1,480
517-0251

The project will provide both grant loan support to private schools in the areas of curriculum development and standardization, teacher and administrative in-service training, educational materials and information systems development, as well as classroom equipment and renovation/contruction of classroom facilities.

3. Ecuador: Primary Education Project $ 1,400
518-0080

The project will implement a radio learning program. Major components are the introduction of tested methodologies for teacher training, supervision and evaluation, material production, pupil motivation, and the development of indigenous capacity to produce and distribute radio lessons.

4. El Salvador: Strengthen Achievement
519-0357 in Basic Education $ 5,300

This project supports qualitative improvements in the Salvadoran education system to reverse the trends of the last decade. The project finances four interrelated activities: (i) strengthening policy and planning capabilities, (2) curricula strengthening and didactic material development, (3) teacher training and (4) establishment of a radio education program.

5. Guatemala: Basic Education Strengthening $ 3,335
520-0374

The project provides $30 million over a ten year period to support Guatemalan efforts to improve the quality and coverage of basic education services. The project has four components: (1) bilingual education; (2) teacher training; (3) a research and development program to develop and test low-cost non-traditional methodologies for expanding coverage and access to basic education including multi-grade teaching; and (4) technical assistance to improve administrative functions in the Ministry of Education, to continue support for the Ministry's decentralization program, and to develop a computerized management information system.

($000)

6. Haiti: Incentives for Improving Primary Educ. $ 1,083
521-0190

The project assists the formation of private education associations responsible for administering services to rural and urban schools. Schools assisted through the project enter into performance-based contracts with the associations to receive teacher training, educational materials, and support for refurbishing physical facilities. A component is support for research and development of low-cost, innovative educational technologies and educational funding alternatives.

7. Honduras: Primary Education Efficiency $ 3,480
522-0273

Under the auspices of this project four million textbooks are being produced and distributed to one million students throughout Honduras; all 40,000 teachers are receiving in-service training in the use of the new texts; school renovation and construction are supported through self-help programs; and an innovative program is assisting a private voluntary organization to develop interactive radio and graphic learning materials for use by primary school teachers.

8. Jamaica: Primary Education Assistance II $600
532-0155

The project is designed to improve the quality and efficiency of Jamaica's primary education system; 150 schools are being renovated; support is provided to a low-cost textbook production program carried out by the Jamaican private sector; regional workshops on quality and efficiency issues are scheduled in Jamaica and training and observation tours for school and community leaders will be conducted in the U.S.

9. Jamaica: Basic Skills Training $259
532-0083

A component of this project supports efforts to refurbish and equip vocational programs in academic secondary schools in Jamaica.

LAC SUBTOTAL $17,200

Asia and Near East Bureau: Basic Education Obligations

($000)

1. Afghanistan: 306-0202 — Education Sector Support — $6,800

The project supports primary education through school construction and production of textbooks and instructional aids.

2. Pakistan: 391-0497 — Educational Development — $17,750

The program supports comprehensive education policy reform for primary education in Baluchistan and the Northwest Frontier emphasizing improved school access for girls.

3. Indonesia: 497-0344 — Educational Policy and Planning — $ 800

The project supports policy research activity emphasizing cost-effectiveness, including private sector support of vocational education and decentralization of education planning and programming.

4. Yemen: 279-0074 — Education Development Support — $1,650

(insert description to be supply by ANE)

5. Pacific Reg. 879-0001 — PVO Co-Financing — $31

These funds provide support to PVO activities in basic education.

ANE SUBTOTAL — $27,031

Science and Technology Bureau: Basic Education Obligations

		($000)
1.	Advancing Basic Education and Literacy 936-5832 This new project: supports the development of field projects; adapts techniques to enhance educational system management and to improve student learning; and develops methods for increasing the access of girls to primary education.	$ 1,260
2.	Improving the Efficiency of Education Systems II 936-5823 This project is testing the effect of strengthening educational planning capabilities on primary education system efficiency. Education sector assessments and follow-up activities have been carried out in seven countries.	$ 908
3.	Basic Research in Developing Education Systems 936-5824 The project compiles and carries out research on key education policy variables. Computer software packages have been developed to allow educational planners to understand the ramifications of alternative resource allocation options. Joint research initiatives are ongoing in seven countries.	$ 328
4.	Educational Technology: Studies and Applications 931-1109 Project supports trials of innovative teaching methods, to improve educational quality in primary schools and teacher training institutions.	$ 275
5.	Radio Science 936-5818 This project is bringing the "interactive radio" system for improving math and language teaching into operational use in five nations, and also is developing a radio-based science curriculum for grades 4-6.	$ 595
S&T SUBTOTAL		$ 3,366

JAPANESE ASSISTANCE

Below are two tables from the "1989 Report, Development Co-operation in the 1990s," prepared by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development.

The first table shows the geographic distribution of official development assistance by DAC donors. That table indicates that more than 72% of Japanese assistance went to Asian countries in the years 87/88.

The second table defines major types of assistance programs by DAC donors. Almost 44% of Japanese aid in the years 86/87 went for economic infrastructure, with only 1.3% going for food aid.

Table 8. GEOGRAPHICAL DISTRIBUTION OF ODA BY INDIVIDUAL DAC DONORS AND MULTILATERAL AGENCIES[a]

Percentage of gross disbursements

Countries	Sub-Saharan Africa			South Asia			Other Asia and Oceania			Middle East and North Africa[b]			Latin America and Caribbean		
	75/76	80/81	87/88	75/76	80/81	87/88	75/76	80/81	87/88	75/76	80/81	87/88	75/76	80/81	87/88
DAC COUNTRIES, BILATERAL															
United States	7.3	15.8	13.9	27.6	12.8	11.6	18.1	9.2	8.1	32.4	50.1	43.4	14.6	12.2	22.9
Japan	5.4	10.0	12.2	32.5	25.8	22.3	49.9	49.1	50.0	7.4	8.3	8.5	4.8	6.9	6.9
France	46.8	48.0	52.4	4.2	2.8	4.5	11.1	12.9	15.6	14.5	12.5	11.1	23.4	23.8	16.4
Germany	20.8	29.4	28.3	27.1	20.6	15.8	9.2	9.4	11.2	30.3	28.8	30.4	12.6	11.8	14.4
Nordic countries, total	46.6	52.6	63.8	26.3	24.9	17.6	18.1	13.9	8.0	5.3	4.8	4.4	3.7	3.8	6.1
of which: Denmark	52.7	51.6	63.6	17.9	31.1	19.1	16.4	8.9	6.8	9.4	6.2	7.4	3.3	2.2	3.2
Finland	75.5	60.6	64.7	2.7	7.5	13.6	9.8	21.0	6.8	2.2	6.7	7.5	9.8	4.2	7.4
Norway	52.6	54.1	66.6	24.5	30.0	21.1	14.5	6.1	4.3	5.1	6.7	0.7	3.3	3.1	7.3
Sweden	40.8	51.5	61.8	31.1	22.2	15.7	20.4	18.4	11.9	4.3	3.2	3.8	3.4	4.7	6.9
Italy	24.1	55.7	65.5	18.1	1.7	5.0	6.8	6.6	6.6	45.2	27.9	12.4	5.8	8.2	10.4
Netherlands	19.5	31.2	39.0	24.0	24.8	20.4	15.6	10.6	16.9	4.3	5.4	5.5	36.6	27.9	18.2
United Kingdom	28.3	37.0	49.1	41.0	40.0	27.6	11.6	8.5	10.2	6.4	8.3	6.2	12.6	6.2	6.9
Canada	35.5	38.6	38.3	41.8	34.8	24.9	6.5	5.8	12.9	6.8	8.0	7.3	9.4	12.8	16.6
Australia	1.9	5.7	7.0	9.9	10.8	4.9	87.8	81.4	86.8	0.3	2.0	1.1	0.1	0.1	0.2
New Zealand	2.2	2.5	1.2	12.3	2.1	1.3	83.8	94.2	96.9	0.1	0.1	–	1.6	1.1	0.6
Other DAC, total	55.9	45.8	58.7	15.3	8.8	8.7	9.7	15.7	9.4	12.1	23.4	12.7	7.0	6.3	10.6
of which: Austria	20.0	7.8	17.0	31.8	5.1	1.3	10.8	29.5	4.7	20.8	53.9	72.9	16.5	3.7	4.2
Belgium	66.6	66.0	75.3	5.8	5.0	2.4	8.9	11.9	10.0	12.5	12.2	5.3	6.2	4.9	7.1
Ireland	79.0	96.2	94.7	12.4	1.0	3.0	–	0.6	1.2	2.9	0.4	0.4	5.7	1.8	0.8
Switzerland	22.4	39.9	48.4	48.6	26.7	18.6	12.8	6.5	10.7	8.4	12.0	5.5	7.8	14.9	16.8
Total DAC	23.3	29.7	32.6	23.5	17.5	14.2	20.2	17.7	21.2	18.9	22.0	17.9	14.1	13.1	14.1
MULTILATERAL INSTITUTIONS															
EEC	58.4	60.1	52.8	20.3	16.9	11.5	1.9	4.9	10.9	14.1	11.8	13.2	5.4	6.3	11.6
IFIs[c]	14.8	21.5	38.0	43.3	44.3	39.2	10.3	11.0	12.5	6.5	4.7	1.5	25.1	18.5	8.9
UN agencies[d]	30.6	32.5	40.9	23.3	18.2	21.5	12.4	19.3	16.0	19.0	18.7	9.1	14.7	11.3	12.5
NON-DAC FLOWS															
Arab countries, bilateral	8.6	11.3	23.4	12.9	7.0	4.1	1.5	1.2	3.9	74.2	78.7	68.4	2.8	1.8	0.2
Arab countries multilateral	42.1	47.5	46.0	–	10.4	12.7	–	2.7	1.5	57.9	33.2	38.9	–	6.2	0.7
CMEA countries	2.9	4.3	4.4	7.5	14.1	10.7	44.4	47.3	60.6	18.7	10.9	5.7	26.5	23.4	18.6
China	n.a.	56.4	63.9	n.s.	18.1	20.3	n.a.	–	2.1	n.a.	22.9	9.0	n.a.	2.6	4.7
OVERALL TOTAL	19.5	25.1	30.7	21.2	18.4	16.6	16.9	16.7	23.3	29.7	28.1	16.1	12.7	11.7	13.3

a) Excluding unspecified.
b) For the purpose of this analysis, includes small amounts to Southern Europe.
c) International financial institutions. Includes IDA, regional banks' soft windows and IFAD.
d) Includes UNDP, UNICEF, UNWRA, WFP, UNHCR and UNFPA.
Note: Percentages in lines add up to 100 per cent for regional distribution in each two-year period for each individual country/institution.

Table 9. MAJOR AID USES BY INDIVIDUAL DAC DONORS AND MULTILATERAL ORGANISATIONS[a]

Percentage of total commitments

	Social and administrative infrastructure		Economic infrastructure		Agriculture		Industry and other production		Food aid		Programme assistance		*Memo:* Share of ODA through NGO's[b]
	75-76	86-87	75-76	86-87	75-76	86-87	75-76	86-87	75-76	86-87	75-76	86-87	86-87
Australia	17.5	28.6	7.1	5.5	4.3	9.9	1.9	1.7	9.2	6.7	60.0	47.6[c]	0.6
Austria	7.4	33.8	31.7	49.4	3.3	4.0	56.0	2.6	–	1.6	1.6	8.5	0.5
Belgium	4.9	44.1	31.8	12.9	2.7	14.9	32.4	5.8	2.9	2.0	25.3	20.3	6.5
Canada[d]	16.5	9.0	20.0	22.7	8.4	27.2	9.1	6.1	20.6	12.9	25.4	22.1	8.9
Denmark	14.0	21.2	7.5	28.1	11.4	11.8	17.0	11.2	3.4	0.6	46.7	27.0	0.8
Finland[d]	10.9	31.9	9.0	14.7	3.6	27.0	11.0	8.8	7.3	–	58.2	17.6	2.5
France	53.7	41.6	17.4	17.7	7.0	9.7	10.9	6.1	1.1	0.8	9.9	24.1	0.3
Germany	23.4	32.8	19.2	22.3	7.5	10.5	16.2	7.7	3.1	3.1	30.6	23.6	6.9
Ireland	–	40.3	–	0.8	–	17.1	–	3.0	–	–	–	38.8	5.6
Italy	14.0	20.6	14.8	23.6	2.9	17.1	15.5	8.7	–	5.8	52.8	24.2	2.6
Japan	3.3	15.4	37.7	43.9	6.0	10.0	20.6	7.6	0.5	1.3	31.9	21.8	1.6
Netherlands	34.6	23.7	13.7	14.8	20.9	22.9	9.5	3.8	1.6	2.0	19.7	32.8	6.5
New Zealand	14.5	36.0	35.3	8.3	23.7	12.3	4.5	1.2	5.5	0.6	16.5	41.6[c]	0.7
Norway	22.9	34.4	24.4	21.1	25.9	12.2	15.1	13.5	–	1.9	11.7	16.9	6.3
Sweden	22.2	15.9	2.6	15.5	9.0	7.5	14.5	9.6	8.4	0.5	43.3	51.0	4.5
Switzerland	12.3	16.5	21.4	12.3	17.9	21.5	13.6	5.4	10.6	5.8	24.2	38.5	13.5
United Kingdom	4.7	22.5	28.2	18.9	4.3	8.8	28.8	14.4	–	1.2	34.0	34.2	0.5
United States	8.1	20.2	2.6	4.1	8.1	10.0	4.5	0.5	29.5	14.0	47.2	51.2[c]	11.9
Total DAC	19.9	24.7	14.4	20.0	8.2	12.1	11.5	5.8	12.7	5.4	33.3	32.0[c]	5.4
World Bank	..	16.9	..	31.9	..	21.9	..	18.7	..	–	..	10.6	–
IDA	..	21.3	..	20.8	..	27.2	..	8.2	..	–	..	22.5	–
EEC	..	12.3	..	15.5	..	30.6	..	9.6	..	11.5	..	20.5	–
UN agencies[d]	..	26.8	..	15.2	..	9.6	..	5.0	..	20.7	..	22.7	–
Other agencies	..	14.9	..	36.8	..	31.4	..	13.8	..	–	..	3.1	–
Total multilateral	..	17.6	..	28.5	..	24.1	..	14.2	..	3.1	..	12.5[e]	–
OVERALL TOTAL	..	21.3	..	24.1	..	17.9	..	9.8	..	4.3	..	22.6	–

a) Multilateral commitments are for official development finance i.e., including non-concessional loans except IDA whose commitments are at concessional terms.

b) On a disbursements basis.

c) Aid to concentrated country programmes in 1987 as a share of total bilateral commitments was 36.6 per cent for Australia, 30.6 per cent for New Zealand, an estimated 19.9 per cent for the United States and 8.7 per cent for total DAC. Total programme assistance of DAC countries combined in 1986-87 amounted to $10.8 billion.

d) 1986 data.

e) Sectoral programme assistance has been allocated by sector.

A.I.D.'S DEVELOPMENT EDUCATION GRANTS

The A.I.D. Development Education (Biden-Pell) grants are not awarded to individuals. The A.I.D. Development Education program maintains a portfolio of 30-35 grants to private, non-profit organizations in the U.S. for the purpose of designing and implementing programs which educate their constituencies about development issues. These grants are intended to launch new initiatives and leverage support from participating groups beyond the period of government funding.

The organizations funded include educational associations, private and voluntary organizations engaged in development assistance, national professional and trade associations, cooperatives, service clubs, the media, and colleges and universities. Some of the specific organizations with currently active grants include: ACCION International, Africare, American Association of School Administrators, Heifer Project International, National Association of Partners of the Americas, National Association of Wheat Growers Foundation, Society for International Development, the YMCA and YWCA.

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Additional Questions for Reginald J. Brown

Submitted by Hon. Byron L. Dorgan

POLICY AND ORGANIZATIONAL CHANGES AT A.I.D.

Mr. Dorgan: Last year, there were extensive reviews of U.S. development assistance policy, objectives and practices conducted by the Hamilton-Gilman Task Force and the late A.I.D. Administrator, Alan Woods. The Hmilton-Gilman report concluded that the Foreign Assistance Act of 1961, as amended, was cluttered with too many objectives, often redundant, with a great many obsolete provisions. The task force recommended that our international economic cooperation focus on four main objectives:

Growth, environmental sustainability, poverty alleviation, and pluralism.

I recently had the opportunity to meet with the new A.I.D. Administrator, Dr. Ronald Roskens. He indicated that he plans to introduce some policy and organizational changes in A.I.D. Could you give us some idea of the major policy changes now taking place or being considered at A.I.D., especially as they relate to the four major objectives from the Hamilton Task Force which were incorporated in the House's Foreign Assistance authorization bills for this year and fiscal year 1991?

Answer: One of Dr. Roskens' first orders of business upon becoming Administrator of A.I.D. was the establishment of a high-level task force to draft a "Mission Statement" for A.I.D. This brief statement was to capture the real mandate of A.I.D. -- and to provide us with a set of clearly defined goals and objectives, so as to better guide our activities. The draft statement, which was shared with Congressional Committees (including the Hunger Committee), PVOs and other knowledgeable development professionals who provided input, is now in final form. In summary, it states that our work is to be guided by six principles:

- Support for free markets and broad based economic growth;
- concern for individuals and their economic and social well being;
- support for democracy;
- responsible environmental policies and prudent management of natural resouces;
- support for lasting solutions to transnational problems;
- and, humanitarian assistance to those who suffer from natural or man made disasters.

I think you'll find that the interests of this Committee are well represented in both the letter and spirit of this Mission Statement.

As for organizational changes, you are no doubt aware of the reorganization which Dr. Roskens has undertaken. To minimize the number of separate offices reporting directly to the Administrator, a number of smaller satellite offices have now been subsumed within larger bureaus. Additionally, the growing number of countries formerly managed by the Bureau for Asia and the Near East (ANE) has been reduced. ANE's burden was relieved by shifting responsibility for most Asian countries to what was the Bureau for Private Enterprise (PRE). Accordingly, we will have one bureau with responsibility for Europe and the Near East (ENE) and another with responsibility for Asia and Private Enterprise activities (APRE).

A.I.D's MULTIPLE RESPONSIBILITIES

Mr. Dorgan: A.I.D. is under a tremendous amount of pressure to do far more in the environmental field, in food aid and in sub-Saharan Africa. How does A.I.D. propose to efficiently manage and implement these new and expanded responsibilities while still carrying out congressionally mandated nutrition, health, education, agriculture, family planning, small enterprise development and agricultural production programs -- all of major interest to the Hunger Committee?

Answer: You have identified one of our greatest challenges: how to establish "new" program areas without losing any of the momentum we have generated in our traditional areas of activity. This challenge becomes all the greater when considering that we are working with essentially the same level of resources -- both financial and manpower -- as in past years. Indeed, this problem is further compounded by the arrival of additional countries -- such as Poland, Hungary, Panama, Nicaragua and Namibia -- which now need and want our assistance.

One of the first observations made by Dr. Roskens upon his arrival at A.I.D. is that we seem to be spread too thin and should better focus on that which we do well -- concentrating on our "comparative advantage" within the donor community. This also was one of the key findings of the Hamilton - Gilman study on the foreign assistance program: that A.I.D. is encumbered by far too many directives, recommendations, policy emphases and objectives.

Our response to this problem of multiple goals and objectives is to try to tailor our programs to the unique needs and requirements of each recipient country in which we work. Of the many interventions at our disposal -- including health care, balance of payments support, credit reform or irrigation systems -- we must utilize in each country only those few which are most appropriate to its development situation. Our field presence gives us an intimate familiarity with recipient countries, allowing for the design of more effective, appropriate country programs. As well, we are in constant contact with host government officials, other donors and private voluntary organizations in the field, which serves to further refine our program in response to host country priorities and in coordination with other donor assistance.

I should emphasize here that our attempts to carefully tailor each country program for maximum efficiency and effectiveness can be impeded by excessive Congressional earmarks and directives. When a high proportion of our assistance is tied up in predetermined spending categories, Washington's priorities may be satisfied, but at the expense of the needs and preferences of developing countries and peoples or at the expense of managing well all the priority objectives in a particular country. If we are to maximize the impact and efficiency of our increasingly limited resources -- especially, as you have noted, when our goals and priorities are expanding -- we must have greater flexibility in terms of the uses of these resources.

For A.I.D., this means more carefully targeted country strategies. For the Congress, this means greater restraint when it comes to earmarking and other forms of resource restrictions or mandates. Working together and listening to each other, I am quite optimistic about our ability to meet the challenges of this decade.

IMPROVING PROJECT IMPLEMENTATION

Mr. Dorgan: As the A.I.D. Administrator works to streamline A.I.D. programs and set new directions for the Agency, how does he plan to improve project implementation, especially in light of reduced operating expenses? How do you view the role of NGO's and universities in this regard?

Answer: A.I.D. is working to improve project implementation through a combination of steps to make more efficient use of staff capacity and shrinking operating expense funding. Some are an intensification of on-going efforts, while others are newly-instituted steps.

The steps that intensify on-going efforts include:

-- reducing the number of projects and management units in a program to make sure that we undertake only activities of the highest priority;

-- undertaking more integrated programming of resources to attack both host country policy constraints to development and local institutional weaknesses simultaneously;

-- doing more detailed implementation planning before project authorization, including procurement planning, to facilitate implementation of authorized projects;

-- seeking greater coordination with other donors to avoid duplication of efforts, conflicting technical advice and overburdening calls on host country implementation capacity; this includes dedicating more resources to building that capacity, especially in local private sector institutions such as NGO's (and especially to facilitate implementation of PVO umbrella projects);

-- utilizing the unique capabilities of private voluntary organizations and their extensive presence and experience in developing countries, and leveraging the fundraising ability of PVOs;

-- where possible, making use of implementation capacities and procurement arrangements of existing activities of other donors, particularly the World Bank; and

-- increasing reliance on contractors, especially universities, where special expertise exists, such as for development research and building universities and agricultural institutions.

The newly-instituted efforts include:

-- streamlining project implementation documentation and making greater use of existing delegations of authority and responsibility to line managers, especially in the field;

-- seeking more flexible funding authority from Congress, such as the Development Program concept included in the FY 1991 Congressional Presentation, to save staff time in both the field and Washington;

-- eliminating redundant technical capacities and projects between central bureaus and the field and making greater use of the existing technical expertise of the central bureaus in field programs, including evaluation skills, to improve the effectiveness of human and financial resource use; and

-- further develop U.S. universities into centers of excellence in topics of special importance to development. The Administrator has commissioned a special study of how this could best be done.

STRUCTURE OF THE OFFICE OF PRIVATE AND VOLUNTARY COOPERATION

Mr. Dorgan: Structurally, within the Agency, will there be any change in the Office of Private Voluntary Cooperation (PVC)? Will PVC maintain its identity and leadership? (Note: This office is the focal point for all PVO's and Cooperative Development Organizations.)

Answer: The Office of Private and Voluntary Cooperation (PVC) is an integral part of the Bureau for Food for Peace and Voluntary Assistance (FVA) and will continue to be the focal point for PVO and cooperative development activities.

A.I.D. RESTRUCTURING AND TREATMENT OF UNIVERSITIES

Mr. Dorgan: How will the university community, including BIFAD, be treated?

Answer: While A.I.D. has not completed its final formulation of the new approach, we are looking at several basic elements of our relationship with the university community. The relationship of A.I.D. to the Title XII university community, through BIFAD, will not be altered.

For example, A.I.D. is considering reorganizing several offices into a "Center for University Cooperation in Development" (the Center). The Agency's plan is very similar to and consistent with the House-passed FY 1991 Foreign Assistance Authorization legislation which calls for such a center.

The Center will support U.S. university collaboration with LDC research and education institutions to further the internationalization objectives of U.S. universities as well as to strengthen LDC institutions.

We see the Center as an opportunity to significantly enhance A.I.D.'s ability to interact with and gain support from the extraordinary range of resources available in the U.S. university community and apply those resources with greater effectiveness to the problems of the developing world. We have just begun the process of giving program content to this extraordinary opportunity. Over the next few months we intend to meet with the full range of interests in the university community and seek their participation in designing the kinds of collaborative activities needed to enhance the contribution which the U.S. university system can make in helping the peoples of the developing world address their development problems.

ENHANCED COOPERATION WITH PVOS, NGOS AND COOPERATIVES

Mr. Dorgan: Is enhanced programmatic cooperation with United States and indigenous PVO's, NGO's and cooperatives a viable strategy for coping with the increased pressures? Are current institutional arrangements sufficient? Is consideration being given to possible new forms of cooperation with NGO's and/or universities?

Answer: A.I.D. has an extensive and long-standing relationship with indigenous PVOs and NGOs, which is emphasized in the Request for Applications that are sent to all PVOs annually. More than twenty percent of A.I.D.'s Development Assistance budget is channeled through PVOs. This relationship is particularly evident through two major grant programs, Matching Grants and Child Survival Grants. In addition, there are many other efforts toward fortifying or developing indigenous PVOs, such as the Africa Bureau's umbrella program in Senegal.

These linkages have helped the United States Government address the needs of people throughout the developing world. The Agency believes there is always a need to look for innovative ways to increase linkages between U.S. PVOs and indigenous PVOs. Such institutional arrangements must be undertaken in a thoughtful manner which ensures the

U.S. Government management accountability for U.S. funds spent. Many indigenous PVOs are weak in both their management and financial ability. It is incumbent on A.I.D. to continue to strengthen the links between U.S. based PVOs and their local counterparts to provide development assistance. This linkage will allow for all PVOs to better implement their development projects and maintain an improved management structure.

Submitted by Hon. Tony P. Hall

CATEGORIZING OF A.I.D. PROJECTS

Mr. Hall: I understand that A.I.D. is in a transitional period between methods of categorizing projects. I am troubled, though, by your FY 1991 presentation to the Congress, which organized your activities in terms of thirteen categories of goals (A.I.D., Congressional Presentation, Fiscal Year 1991, Main Volume, p. 25), but only gave complete dollar request levels for the traditional functional accounts.

The Africa Bureau now uses nine categories (DFA Funding in Selected Categories, FY 1990 and FY 1991, supplied by Africa Bureau to Select Committee on Hunger staff, 1990, attached) which differ from the Congressional Presentation's thirteen categories and the traditional functional accounts.

Your own bureau, Program and Policy Coordination, supplied the Congressional Research Service with a breakdown of A.I.D. funding for FY 1988-FY 1991 using thirteen categories (attached). These categories were different from the Congressional Presentation's thirteen categories, the traditional functional accounts, and the Africa Bureau's nine categories.

Finally, within your bureau, one analyst provided Hunger Committee staff with information stating that A.I.D.'s funding levels for agriculture for FY 1991 are estimated at $1.120420 billion (attached), while the analysis supplied to the Congressional Research Service (see above), which came from the same bureau, stated that the estimated FY 1991 level is $724 million.

Detailed information on these points is included.

Agency for International Development
Washington, D.C. 20523

DFA FUNDING IN SELECTED CATEGORIES [1]

FY 1990 AND 1991

($ Mil.)

CATEGORY [2]	ESTIMATED FY 1990	ESTIMATED FY 1991 [3]
Agriculture/Nutrition	152.9	161.4
Natural Resources Mgt.	60.9	47.0
Education and Human Resources Dev.	89.2	92.8
Health	63.3	66.3
of which:		
Health	(18.1)	(21.0)
Child Survival	(32.2)	(36.8)
AIDS	(4.2)	(7.5)
Population	42.1	48.0
Private Enterprise	81.1	82.1
Infrastructure	38.9	48.9
Human Rights/Democratic Initiatives	2.7	2.7
Women in Development	33.7	37.1

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[1] In addition to Africa Bureau funds (DFA), Sub-Saharan African countries receive funds through A.I.D.'s central bureau programs.

[2] The Agriculture/Nutrition, Natural Resources Management, and Child Survival categories are largely but not entirely mutually exclusive. The WID category is not mutually exclusive of the others.

[3] The FY 91 levels are estimated and will change as the FY 91 program is developed. For example, the $55 million African Economic Policy Reform Program has not yet been programmed.

From PPC to the Congressional Research Service

	1988	1989	1990	1991
Agriculture/Nutrition				
functional accounts	292	310	224	223
Dev Fund for Africa	187	159	153	161
Econ Supp Fund	496	284	292	340
TOTAL	975	753	669	724
Administration of Justice				
functional accounts	0	2	0	0
Dev Fund for Africa	0	0	0	0
Econ Supp Fund	7	12	16	28
TOTAL	7	14	16	28
Human Resource Dev				
functional accounts	139	152	140	126
Dev Fund for Africa	59	73	89	93
Econ Supp Fund	117	168	116	124
TOTAL	315	393	345	343
Natural Resources/Environment				
functional accounts	79	103	117	99
Dev Fund for Africa	29	39	45	38
Econ Supp Fund	118	146	125	207
TOTAL	226	288	287	344
Energy				
functional accounts	21	14	17	18
Dev Fund for Africa	4	2	1	1
Econ Supp Fund	54	50	48	56
TOTAL	79	66	66	75
Health/Child Survival				
functional accounts	209	223	216	215
Dev Fund for Africa	43	63	58	51
Econ Supp Fund	41	51	46	62
TOTAL	293	337	320	328
Population				
functional accounts	60	189	209	190
Dev Fund for Africa	36	40	42	49
Econ Supp Fund	16	14	18	9
TOTAL	112	243	269	248
Human Rights/Democratic Int				
functional accounts	17	19	26	21
Dev Fund for Africa	3	3	3	3
Econ Supp Fund	32	27	19	17
TOTAL	52	49	48	41

Private Enterprise				
functional accounts	130	130	148	139
Dev Fund for Africa	67	83	80	82
Econ Supp Fund	202	371	557	330
TOTAL	399	584	785	551
Public Sector				
functional accounts	34	64	39	120
Dev Fund for Africa	29	46	44	27
Econ Supp Fund	1760	1994	2442	1979
TOTAL	1823	2104	2525	2126
Infrastructure				
functional accounts	64	53	39	35
Dev Fund for Africa	59	36	39	49
Econ Supp Fund	87	257	284	184
TOTAL	210	346	362	268
PD & S				
functional accounts	27	26	25	22
Dev Fund for Africa	8	8	9	7
Econ Supp Fund	15	4	3	7
TOTAL	50	38	37	36
Disaster aid				
functional accounts	0	5	0	0
Dev Fund for Africa	0	5	0	0
Econ Supp Fund	0	9	0	0
TOTAL	0	19	0	0
Other				
functional accounts	0	0	0	0
Dev Fund for Africa	0	0	0	0
Econ Supp Fund	0	25	0	0
TOTAL	0	25	0	0

Agriculture Portfolio: AFR/ANE/LAC/Central Bureaus
Obligations (DA/DFA/ESF), ($ 000), FY 1989-91

Program Objective/Sub-Objective	FY 1989 Actual	FY 1990 Estimate	FY 1991 Planned
A. LAND USE/DECENTRALIZATION	124,360	207,470	99,874
1. Land Tenure/Settlement			6,372
2. Decentralization			93,502
B. PLANNING/POLICY REFORM	141,392	180,387	239,721
1. Planning			25,261
2. Policy Reform			214,460
C. TECHNOLOGY DEVELOPMENT	239,057	207,774	219,682
1. Research			137,567
2. Education			20,919
3. Extension			61,196
D. RURAL INFRASTRUCTURE	229,663	203,518	182,645
1. Irrigation			61,372
2. Rural Roads			49,798
3. Rural Electrification			71,475
E. AGRICULTURAL SERVICES	276,018	200,927	196,944
1. Credit			27,829
2. Inputs			114,879
3. Marketing			22,171
4. Agribusiness			25,908
5. Pest Management			6,157
F. NATURAL RESOURCES MANAGEMENT	140,192	150,320	181,554
1. Environmental Planning			57,259
2. Land Development			63,258
3. Soil Conservation			11,035
4. Water Conservation			10,151
5. Forestry			39,851
TOTAL	1,150,682	1,150,396	1,120,420

Source: Data were supplied by field missions and A.I.D./W offices for use in preparation of the FY 1991 Congressional Presentation; April 20, 1990.

My questions are the following:

What is the rationale for all these conflicting, overlapping, confusing categories?

Answer: Your first point, in regard to page 25 of the Main Volume of our FY 1991 Congressional Presentation, references 13 goals. In fact, there are three main program goals, not 13; these goals are also referred to in the Acting Administrator's Statement in the Main Volume (page 6). The confusion may stem from our attempts to illustrate the types of activities we engage in to meet these goals. Our overview was not intended to be a comprehensive listing of all types of A.I.D. programs; indeed, a comprehensive definition of program activities could be quite lengthy, depending on the level of detail.

We are frequently asked for data which is impossible to portray under the traditional functional Development Assistance accounts, the Development Fund for Africa or the Economic Support Fund. After extensive efforts to determine the most frequently used information, we developed a new coding system this past year. The 13 categories provided you through the Congressional Research Service (CRS) are only the "tip of the iceberg," since each of these categories can be further broken down. The 13 categories we provided to CRS reflect the primary purpose of A.I.D.'s programs or projects. However, like the traditional functional accounts, these 13 categories do not fully reflect all aspects of project activity since a single program or project can serve multiple, overlapping functions. The agriculture table you mention is a good case in point. It includes not only agricultural activities listed on the CRS table, but also activities from other related categories, including some of the funding listed under the CRS table for "Natural Resources/Environment," some of the funding listed on the CRS table under "Infrastructure" (rural roads which serve as farm to market roads and rural electrification), and some of the funding listed on the CRS table under "Public Sector" (decentralization). Breaking up the A.I.D. budget pie into 13 pieces still does not make it possible to fully depict the myriad of programs we fund, as in the example of the funding for agriculture activities.

We are also able to retrieve funding levels for "special interests" which cut across all categories of funding. To illustrate, we must be able to report on all narcotics-related activities to a variety of audiences. Some agricultural activities may be related to narcotics interdiction; some Administration of Justice programs may be narcotics awareness or education programs. With this new system we can sort out these figures quickly and easily. The following are examples: We must report on the amount of funding provided through private voluntary organizations (PVOs); PVO activities cut across all sectors. To retrieve the full level of the policy reform effort, one would have to pull sector-specific reform efforts from several categories. Women in development (WID) activities are yet another example. These are just a very few of the ways we are required to present data in various fora.

You mention the Africa Bureau table, with its nine categories. It should be pointed out that these are "selected" categories. The categories listed are in fact similar to those on the list A.I.D. provided to CRS and reflect the major funding categories of Africa programs. Other categories of programs, such as Administration of Justice activities, receive relatively minor amounts of funding in Africa.

METHOD OF CATEGORIZING ACTIVITIES

Mr. Hall: Will you adopt one consistent way of categorizing your activities? If so, when?

Answer: While the method of categorizing and coding activities mentioned above may appear confusing, it is not. It gives us the ability to develop a true picture of the scope of the activities we carry out. We have used this system for one year and are still fine-tuning it, but we are quite pleased with how well it is working.

CATEGORIES REFLECTED IN THE CONGRESSIONAL PRESENTATION

Mr. Hall: Will next year's Congressional Presentation contain a complete set of categories; including A.I.D.'s specific funding requests for those categories.

Answer: We have only just begun to discuss the format of next year's Congressional Presentation. At this point we assume that major categories will be reflected, as in the most recent Congressional Presentation, as well as selected subcategories of special interest to members of Congress and cross-cutting activities such as the involvement of PVOs and women in development, to mention a few.

ESTIMATED FUNDING FOR FY 1991 AGRICULTURAL ACTIVITIES

Mr. Hall: What is the correct number for A.I.D.'s estimated funding for agricultural activities in FY 1991?

Answer: The best estimate is contained in the agricultural funding table your committee has received, which reflects a funding level of $1.1 billion. These figures are based on our FY 1991 Congressional Presentation. More accurate levels await congressional completion of appropriations action, which may or may not alter these figures considerably.

PREPARED STATEMENT OF WILLIAM C. RAMSAY, DEPUTY ASSISTANT SECRETARY, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. Chairman, thank you for inviting a representative of the Department of State to speak to your Committee on the crucial issue of how best to allocate resources to fight world hunger and malnutrition in the post-cold-war era.

My name is William Ramsay. I am the Deputy Assistant Secretary for International Energy, Resources and Food Policy in the State Department. As such, I oversee the State Department's participation in the interagency food aid process.

My comments today will address primarily the role of our food aid programs in our commitment to fight world hunger and malnutrition. The programs to which I will refer are those carried out under PL-480 and under Section 416 of the Agricultural Act of 1949.

Our current legislation lists multiple objectives for the food aid program, including market development, economic development, and foreign policy aims. But the most basic and fundamental goal is humanitarian: to combat hunger and malnutrition and to provide emergency food to countries that have been devastated by either natural or man-made disaster.

The agencies involved in the food aid program may assign different priorities to these multiple objectives. But they share an underlying commitment to use food aid in the first instance to combat hunger and malnutrition and to respond to emergencies.

The Department of State's commitment to combat hunger and malnutrition overrides other diplomatic considerations. Illustrative cases include our strong support for food aid programs in Ethiopia and Mozambique, countries with which we have had poor diplomatic relations. These are major programs. We have provided over $600 million in food aid to Ethiopia and more than $150 million to Mozambique since 1981. Our efforts here emphatically demonstrate the primacy of our goal to help combat hunger and malnutrition wherever possible.

Title II programs run by PVOs and by the World Food Program have been particularly effective in implementing direct feeding programs for humanitarian purposes. Many of these programs concentrate on providing food to pregnant women, nursing mothers, toddlers and school children, the most vulnerable groups. The benefits of direct feeding are frequently augmented by provision of training in life skills at the delivery sites, thus helping to tackle the causes as well as effects of the lack of food.

We have devoted considerable resources to meet emergency food needs caused by disaster, either natural or man-made, using provisions under Titles I and II, Section 416, and the Food Security Wheat Reserve. The flexibility embodied in current food aid legislation has been invaluable. It has enabled us to respond rapidly and efficiently to frequently unforeseen emergencies. We urge that this flexibility be preserved in future food aid legislation.

Bangladesh

Let me cite an example of how we use food aid to promote the objective of helping a recipient develop its own food production resources. Bangladesh is one of the five least-developed countries in the world. United States policy there links promotion of sustainable growth and poverty alleviation via employment generation. Our grant assistance programs focus on investments where major infusions of resources over time can affect policy decisions and bear directly on growth.

The $60 million PL-480 Title III program in Bangladesh remains a model effort of integrating food resources with policy change to stimulate private grain markets and improve government management of food stocks. The program has demonstrated its worth. This was evident during the recent floods. Government stocks of U.S. and other donor grains were used to quickly restore price stability to the markets and meet the needs of relief feeding programs.

The $25 million Title II Food for Work program supervised by CARE pays unemployed rural laborers in kind to reconstruct earth roads which are constantly eroded by rains and flood.

The program tackles the seasonal problems of unemployment and underemployment. It also improves the operation of the year-long economy by helping to ensure farmers continued access to a farm-to-market road network.

The United States is also a substantial contributor to programs managed by the World Food Program (WFP), a multilateral food aid organization under the auspices of the UN and the Food and Agricultural Organization (FAO). Our assistance has helped two important WFP programs in Bangladesh. In 1987-88, the United States supplied over one-third of the wheat provided to the WFP's Food For Work program and to its Vulnerable Group Development program, which provides rations to destitute women with children while they undergo training to make them more self-reliant.

Sahel

Turning to Africa, the very substantial U.S. effort to assist the Sahel countries in West Africa has been fueled by humanitarian and developmental concerns rather than short-term strategic interests. After two disastrous droughts in 1970-73 and 1984-85, during which the U.S. provided millions of dollars of food aid into Sahelian countries, we played a key role in initiating a multi-donor effort to stimulate sustained economic growth and agricultural production in the region. These countries are now much better equipped to cope with future inevitable droughts. An important byproduct is economic liberalization and growth, and a trend toward market economies. We see important signs of these trends among our Sahelian friends. .

Other African Programs

During the past year, the United States has joined with other donors, international organizations and PVOs to focus on alleviating hunger in strife-torn areas such as the Horn of Africa, and more recently in West African countries affected by civil turmoil in Liberia. Emergency food shipments have poured into Liberia's neighbors to help cope with the flow of refugees across the borders. Indeed we are currently considering increases in our regular program in Sierra Leone, justified in part by the strains on this country occasioned by the Liberian crisis.

The ongoing saga of famine and conflict in the Horn of Africa is well known. Despite its many sad, even inexplicable aspects, lack of food resources for distribution has not been an issue, due in large part to U.S. programs. Rather, the difficulty has been with the distribution itself, which has been increasingly complicated or impeded by civil strife and insurgency. The U.S. has contributed over $138 million in emergency food aid during FY 1990 to the affected areas in Ethiopia, Somalia and Sudan.

Latin and Central America

In the American hemisphere, approximately seventy-five percent of our total FY 91 assistance budget request to Congress is for economic purposes, while less than twenty percent is military assistance. The largest component of our economic assistance in Latin America is the Economic Support Fund, or ESF, which accounts for about thirty-eight percent of total aid, ESF is grant assistance, provided in part as balance of payments support and in part as development projects and programs to strengthen democracy, which is intended to encourage economic reform and development in recipient countries. ESF buttresses efforts by the Central American countries to promote long-term growth and strengthen democratic institutions and respect for human rights.

In addition to ESF, the United States provides Development Assistance administered through the Agency for International Development and food assistance primarily through PL-480. Development assistance accounts for twenty-two percent of our total assistance in this region, and food aid accounts for fifteen percent.

In this hemisphere, we have nearly doubled our level of support for PVOs in Peru - from $18 million in FY 89 to $34 million in FY 90 (net of transportation costs) - in response to drought conditions there and to the country's disastrous economic decline. We expect that the FY 91 and 92 programs will continue at similar levels.

Our extremely effective Bolivia program provides $20 million in Title III grant aid to fund importation of critically needed food commodities and generates local currencies used to support health, child survival and small producer projects. Title II provides $22 million to PVOs for Food for Work and supplementary feeding.

In Guatemala, we fund CARE and CRS programs which provide maternal and child health, nutrition, education and growth monitoring to Indians in the highlands. Our FY 1990 contributions to PVOs and the World Food Program totalled $12.5 million.

A strong $5.6 million CARE program in Honduras supports a range of projects for poor mothers and children, including the establishment of private day-care centers run by mothers in poor neighborhoods, and the education of primary school children in health and hygiene practices which they can pass on to their families.

El Salvador

Mr. Chairman, knowing your deep interest in El Salvador, I would like to turn now to our food aid efforts in that troubled country.

Our food aid program in El Salvador is an important part of our assistance strategy in that country. Economic assistance to El Salvador is devoted to meeting basic and humanitarian needs, stimulating private investment, rebuilding sabotaged infrastructure, and financing essential imports.

PL-480 Title I assistance, as you know, generates local currency which is programmed for development assistance purposes, including programs targeted at improving the well-being of the poorer segments of the population.

We also fund several Title II programs. We support a Maternal and Child Health program through Catholic Relief Services. We contribute to the World Food Program project for resettlement of displaced persons. We also work through CONARA, a civilian agency of the Government of El Salvador involved in restoration, rehabilitation and development of areas affected by conflict, to provide supplemental foods to rural poor families in conflictive areas. During the FMLN offensive of November 1989, CONARA distributed emergency food rations to approximately 50,000 families, mostly in urban areas affected by fighting. CRS and the World Food Program also participated in emergency distributions in hospitals, schools and churches during the same time.

There has been some concern about CONARA's role in food aid because the El Salvadoran armed forces provide security and transportation of commodities from regional CONARA warehouses to the distribution sites. Let me point out that it would be impossible to distribute food in insecure areas without the cooperation and permission of the military. This program is closely monitored to prevent diversion of the food.

Constraints on Assistance

Despite our manifest commitment to combat hunger and malnutrition wherever they occur, there are limits to effective action by the United States Government.

Logistics is a case in point. Lack of infrastructure can constrain our ability to get food into an area affected by a natural disaster or man-made emergency. Some areas have a limited absorptive capacity due to inadequate management capacity as well as physical facilities. At a minimum, we try to ensure that foodstuffs do not rot on the docks because the recipient country is unequipped to distribute them to the hungry. But even this is not always possible.

A second constraint on assistance to the hungry comes from rigidities in the current legislation. Title III, for instance, provides for grant assistance to governments which take certain reforms, but the amount of paperwork required to develop and monitor such a program discourages many of the poorest countries from even trying to use it. At the present time, only two countries, Bolivia and Bangladesh, are implementing this worthwhile program because auditing requirements for local currency uses are so complicated.

During the past year, there has been considerable discussion of our food aid legislation, as Congress prepares to reauthorize the program.

Virtually every proposal for food aid reform has in common the belief that there should be more grant aid. The Administration has supported the trend towards grant aid for the least developed countries. In the case of African countries, we are in the process of converting programs to grant status and will continue this trend wherever appropriate.

Another proposal which merits consideration involves provision for debt forgiveness under PL-480. We have found that arrears problems complicate the signing of urgent PL-480 concessional loan programs under Title I in many cases, and we would welcome a well-designed debt provision. Any such forgiveness should be conditioned upon economic reform in the host country. We need to assure that the debt forgiveness provisions do not penalize any developing countries by denying them access to necessary concessional food aid loans. To address ever-changing food security problems, it is important to assure the availability of the full range of food aid programs.

From an Administration perspective, the key to a successful food aid program lies in preserving Presidential flexibility to respond to changing needs -- which are frequently emergency needs -- in a swift and effective manner. As a government, we are committed to continue using all food aid efficiently and well to accomplish its diverse goals. To do so, however, Presidential direction and the flexibility to exercise it quickly and responsibly is essential. Let us all continue to work together toward this end.

Thank you for the opportunity to present the Department's views. I will be happy to take any questions you may have.

PREPARED STATEMENT OF JOHN W. SEWELL, PRESIDENT, OVERSEAS DEVELOPMENT COUNCIL

SUBJECT: Background Material for Testimony on U.S. Aid Policies for the 1990s

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I am submitting for the record several documents as background for my oral presentation at today's hearing of the Task Force. They are:

1. A series of tables outlining the challenges facing the developing countries in the present decade;

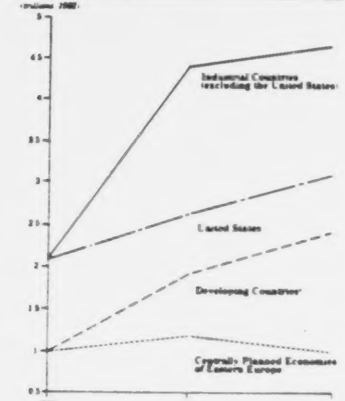
2. ODC Policy Focus No. 2, 1990, "U.S. Foreign Aid in a Changing World," which describes the current U.S. aid program and the issues in the emerging debate over changes in program direction; and

3. Copy of a letter to Congressmen Lee Hamilton and Ben Gilman, co-chairs of the House Foreign Affairs Committee's Task Force on Aid Reform, which outlines the conclusions of the Overseas Development Council's studies on aid reform, prepared at the Committee's request.

1.

PROGRESS IN THE DEVELOPING WORLD HAS BEEN IMPRESSIVE

D-4. Global Production: Third World Share is Rising (\$ trillions, constant 1982)



*Includes Asian socialist countries
**Preliminary

Source: UNCTAD, Handbook of International Trade and Development Statistics, [illegible] Table 6.3

FIGURE 2.5
GNP per capita trends

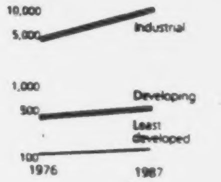


Table 3.2 Twenty years of progress in developing countries

Indicator	1965	1975	1985
Consumption per capita (1985 PPP dollars)	590	780	985
Life expectancy (years)	51	57	62
Primary net enrollment rate (percent)	73	74	84

FIGURE 2.2
Life expectancy trends

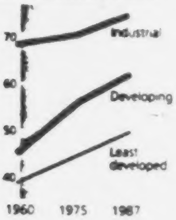


FIGURE 2.3
Infant mortality trends

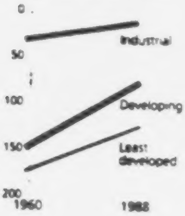
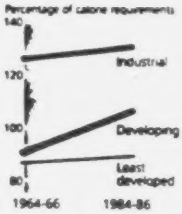


FIGURE 2.7
Nutrition trends



2.

THE 1980S WERE A "LOST DECADE" FOR DEVELOPMENT

PROSPECTS FOR THE 1990S ARE UNCERTAIN

Table 1.3 Prospects for the 1990s

Group and region	Real GDP growth rates: Trend 1965-80	Real GDP growth rates: Recent experience, 1980-89	Real GDP growth rates: Forecast 1989-2000	Real GDP per capita growth rates: Trend 1965-80	Real GDP per capita growth rates: Recent experience, 1980-89	Real GDP per capita growth rates: Forecast 1989-2000
Industrial countries	3.7	3.0	3.0	2.8	2.5	2.6
Developing countries	5.9	4.3	5.1	3.4	2.3	3.2
Sub-Saharan Africa	5.2	1.8	3.7	2.0	−2.2	0.5
East Asia	7.3	8.4	6.6	4.9	6.7	5.1
China	6.4	10.1	6.8	4.1	8.7	5.4
Other	8.1	6.4	6.3	5.5	4.2	4.6
South Asia	3.6	5.5	5.1	1.2	3.2	3.2
India	3.6	5.6	5.2	1.2	3.5	3.4
Other	3.9	5.0	4.8	1.2	2.2	2.4
Eastern Europe	5.3[a]	1.6[a]	1.9	4.5[a]	0.8[a]	1.5
Middle East, North Africa, and other Europe	6.3	2.9	4.3	3.9	0.8	2.1
Latin America and the Caribbean	6.0	1.6	4.2	3.4	−0.6	2.3

a. Estimate.

FIGURE 4.7

Reversing resource flows

North to South net transfers (US$ billions)

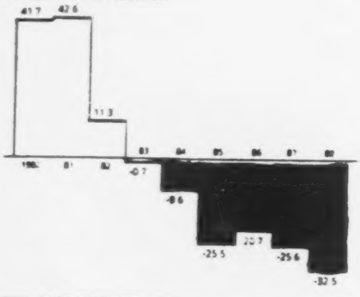
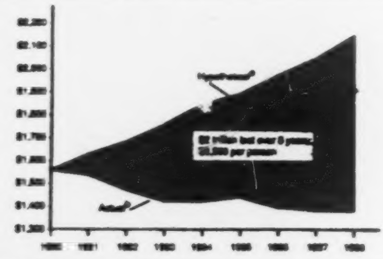


Figure 3. Income Losses of the Highly Indebted Countries (per capita GDP in constant 1988 $U.S.)



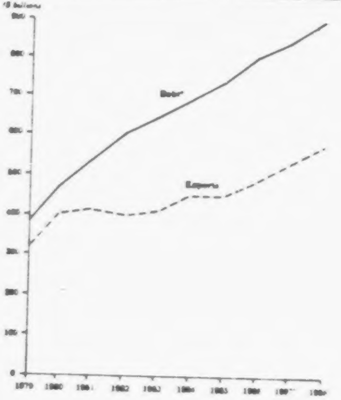
[a] Hypothetical per capita GDP levels at 4.5 per cent per year.

[b] Actual per capita GDP levels.

Source: Author calculations based on data from World Bank, World Development Report 1989 and IMF World Economic Outlook, April 1989.

B-1. Developing-Country Debt Outrunning Export Income ($ billions)

The debt crisis became most visible in 1982, when world trade slumped and debt service payments consumed a high portion of developing-country export earnings. In many developing countries the debt has grown faster than exports, forcing many of them to devote larger portions of their export earnings to debt servicing.



3.

GLOBAL POVERTY PERSISTS

Figure 2 Poverty in the developing world, 1985 and 2000

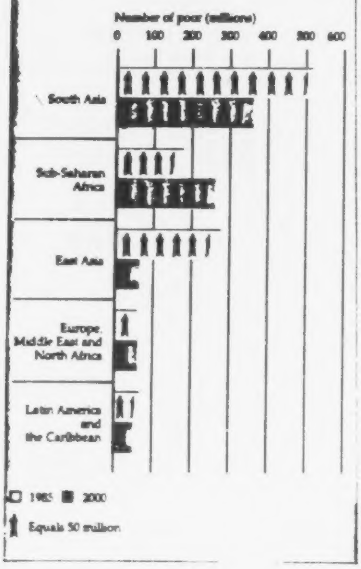


FIGURE 2.6
Absolute poverty by region

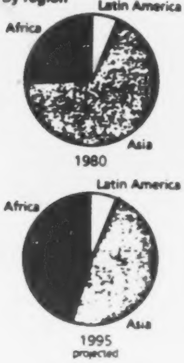
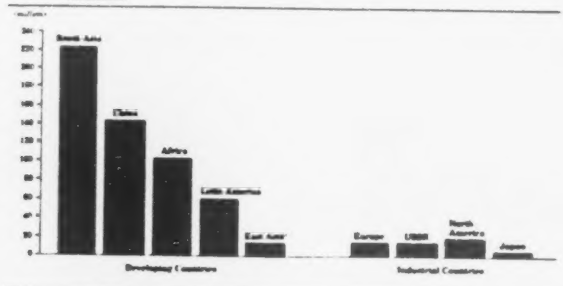


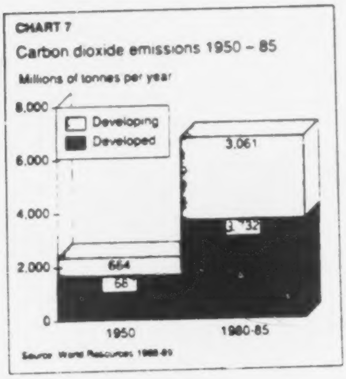
Figure 4. Increase in World Labor Force, 1985-2000 (millions)



*Excludes China and Japan
Source: International Labor Office, *Economically Active Population Estimates*, 1985

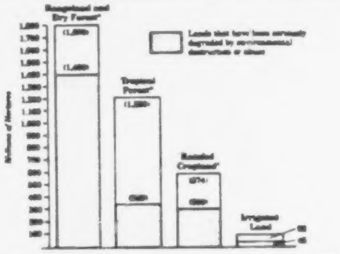
4.

THE ENVIRONMENT IS THREATENED AT BOTH THE GLOBAL AND LOCAL LEVELS. THE DAMAGE TO THE ENVIROMENT IS EXACERBATED BY POPULATION GROWTH



Source: World Resources 1988-89

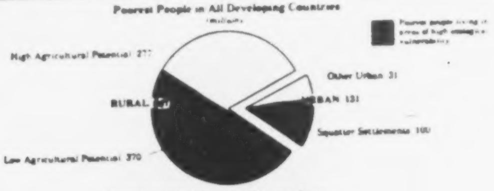
Figure 4. Land Degradation in Developing Countries



[illegible]

Sources: United Nations Environment Programme (UNEP), *The State of the World Environment 1987* (Nairobi: UNEP 1987), pp. 22-32; World Food Council, [illegible]

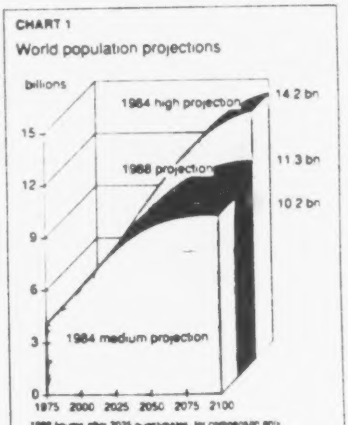
Figure 3. WHERE THE POOREST OF THE POOR LIVE



A total of some 470 million people, or 60 per cent of the developing world's 780 million poorest people, live in rural or urban areas of high ecological vulnerability — areas where ecological destruction or severe environmental hazards threaten their well-being.

Note: Totals may not add up due to rounding.

[illegible]



1988 figures after 2025 guesstimates, for comparison only
Source: United Nations

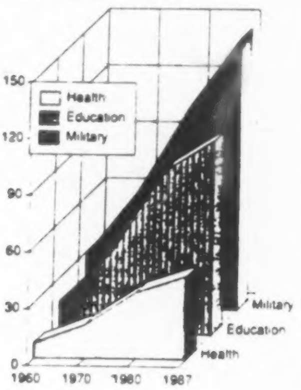
5.

RESOURCES FOR SUSTAINABLE DEVELOPMENT CAN BE FOUND

CHART 11

Military and social spending by developing countries

billions of constant 1986 dollars



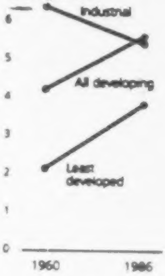
Source: Ruth Leger Sivard, 1989

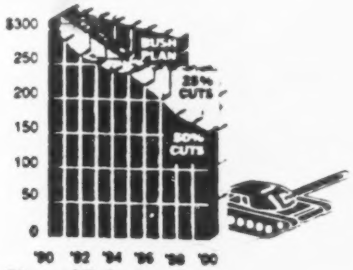
[illegible]

FIGURE 4.4

Military expenditure

Percentage of GNP





Three Visions Of Defense Spending

Proposals for military spending, in billions

6.

CURRENT U.S. PROGRAMS DO NOT REFLECT THE NEW PRIORITIES

Table 1. U.S. Foreign Aid Budget Authority, FY1980-FY1991
($ millions)

	1980	1982	1984	1985	1986	1988	1990	1991
Development								
Multilateral Development Banks	2,308	1,262	1,284	1,546	1,143	1,[illegible]	1,489	1,726
International Organizations	360	215	215	289	281	245	274	325
Agency for International Development	1,566	1,847	2,013	2,482	2,038	2,339	2,534	2,580
Food for Peace (P.L.480)	886	1,200	1,377	1,864	1,343	1,080	978	898
Other	483	539	533	812	544	656	758	870
Offsetting Receipts	(293)	(361)	(483)	(479)	(457)	(483)	(487)	(507)
Subtotal	5,237	4,552	5,088	6,486	4,760	5,022	5,517	6,111
Security								
Military Assistance Program	110	175	712	805	798	701	0	0
Foreign Military Financing	2,085	3,883	4,818	6,823	4,947	4,049	4,828	5,017
Economic Support Fund	1,942	2,919	3,389	6,180	3,762	3,280	3,179	3,358
Guarantee Reserve Fund	–	–	–	–	–	632	488	587
Other	291	221	110	214	95	117	116	85
Offsetting Receipts	(33)	(199)	(28)	(71)	(88)	(70)	(158)	(224)
Subtotal	4,405	7,103	8,943	13,731	9,544	8,098	8,464	8,833
Total Foreign Aid	9,642	11,655	14,012	20,227	14,304	13,120	13,981	14,944
Security Aid as % of Total	46%	61%	64%	67%	67%	62%	61%	59%

Note: FY1980-89 figures are actuals. FY1990 figures are estimates and do not include supplementals for Central America or Eastern Europe. FY1991 figures are requests.

Source: U.S. Office of Management and Budget. *Budget of the U.S. Government*, various years.

Table 4. Recipients of U.S. Economic Aid, by Income Category, FY1991

	Total U.S. Aid *($ millions)*	Aid Per Capita *($)*
Low-Income Countries[a]	1,281,817	0.84
Middle-Income Countries	2,568,836	4.25
High-Income Countries	1,201,200	258.88

[a] Includes India. If India is excluded, the United States provides $1.33 per capita to the poorest countries.

Sources: Agency for International Development, *Congressional Presentation, FY1991*, and World Bank, *World Bank Development Report, 1989*.

Table 2. U.S. Economic and Military Aid, by Region
($ millions)

	FY1980		FY1985		FY1990		FY1991	
	Economic	Military	Economic	Military	Economic	Military	Economic	Military
Africa	748,212	77,279	1,052,524	168,023	853,385	38,[illegible]	857,414	38,175
Asia, the Near East and Europe	3,438,847	1,887,584	5,079,473	6,311,375	4,008,780	4,567,880	3,837,717	4,707,035
Latin America and the Caribbean	487,052	21,154	1,848,328	874,237	1,871,504	248,438	1,288,847	285,880
Total	6,738,928		18,733,881		11,378,515		10,834,186	

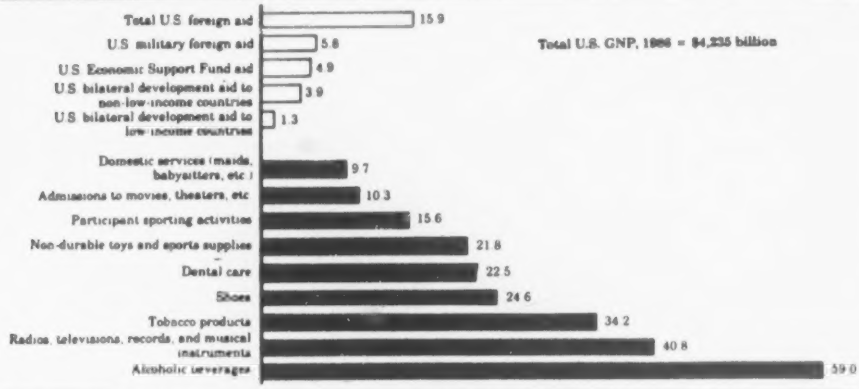
Notes: FY1980 and 1985 figures are actuals. FY1990 figures are estimates, and FY1991 figures are requests.
Economic aid includes development assistance, Economic Support Fund, P.L.480, narcotics aid, Peace Corps, and other economic aid. Military aid includes International Military Education and Training, Military Assistance Program, Foreign Military Financing, and other military aid.

Source: U.S. Agency for International Development, *Congressional Presentation*, Main Volume, various years.

6a.

C-7. U.S. Foreign Aid Compared to Personal Consumption Expenditures, 1986 ($ billions)

U.S. foreign aid, particularly the part aimed at furthering development in low-income countries, is relatively small in comparison to a variety of U.S. personal consumption expenditures



Sources: U.S. Department of Commerce, *Survey of Current Business* (July 1987), p. 32, and U.S. Agency for International Development, *U.S. Overseas Loans and Grants, 1945-1986*

1990, No. 2

POLICY FOCUS

U.S. Foreign Aid in a Changing World

- *Despite the new demands placed on the program by dramatic world events, the administration's FY1991 foreign assistance budget request is not significantly different from those in recent years. A total of $14.9 billion is requested for military and economic aid–a 7 per cent increase over FY1990 appropriations. Development aid is 41 per cent, security aid 59 per cent, of the request.*
- *Regional allocations remain largely unchanged. Israel and Egypt will receive around 48 per cent of regional aid funds, with another 18 per cent going to other countries in the Near East and Asia. Latin America and the Caribbean are to get 15 per cent, Europe 10 per cent, and Africa 8 per cent, of regional funds.*
- *The long-standing disagreement between Congress and the White House over aid objectives will be exacerbated as various constituencies gear up to claim their share of any peace dividend. A new consensus among policymakers and fundamental reforms are needed to prepare the aid program for the dynamic realities of the 1990s.*

Nineteen eighty-nine was a remarkable year in world events. The continued thaw in U.S.-U.S.S.R. relations, the disintegration of the Eastern bloc, and the rumblings of freedom inside the Soviet Union itself all signaled the end of the Cold War era. While it can be argued that the U.S. foreign policy bureaucracy has not had time to adjust its foreign aid strategy to take account of these dramatic developments, it is disappointing that they are largely unreflected in the FY1991 foreign aid request and are being considered only piecemeal in the administration's request for supplemental funds for FY1990.

The U.S. aid program has always had several goals: to blunt Soviet expansionism, to promote American economic interests abroad, and to improve the well-being of the world's poor majority. Although the world has changed in the forty years since the program began, the FY1991 request is still oriented toward Cold War objectives and other perceived security interests. The one significant exception is the nearly $1 billion requested for Central America for FY1990 and FY1991. Other programs or initiatives to meet new challenges–in Eastern Europe or the poorest countries–are relatively very small, have been carved out of larger programs that were not designed for them, and are in competition with traditional aid recipients.

Overseas Development Council
1717 Massachusetts Ave., N.W.
Washington, D.C. 20036
Tel. (202) 234-8701

Table 1. U.S. Foreign Aid Budget Authority, FY1980-FY1991 ($ millions)

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International Organizations	260	215	315	359	261	245	274	225
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Security								
Military Assistance Program	110	179	712	805	798	701	0	0
Foreign Military Financing	2,095	3,883	4,818	6,623	4,947	4,049	4,828	5,017
Economic Support Fund	1,942	2,919	3,389	6,160	3,762	3,269	3,179	3,358
Guarantee Reserve Fund	--	--	--	--	--	532	499	587
Other	291	221	110	214	95	117	116	95
Offsetting Receipts	(33)	(199)	(86)	(71)	(58)	(70)	(158)	(224)
Subtotal	4,405	7,103	8,943	13,731	9,544	8,598	8,464	8,833
Total Foreign Aid	**9,642**	**11,655**	**14,012**	**20,227**	**14,304**	**13,620**	**13,981**	**14,944**
Security Aid as % of Total	*46%*	*61%*	*64%*	*67%*	*67%*	*63%*	*61%*	*59%*

Note: FY1980-88 figures are actuals; FY1990 figures are estimates and do not include supplementals for Central America or Eastern Europe; FY1991 figures are requests.

Source: U.S. Office of Management and Budget, *Budget of the U.S. Government*, various years.

Table 2. U.S. Economic and Military Aid, by Region ($ millions)

	FY1980		FY1985		FY1990		FY1991	
	Economic	Military	Economic	Military	Economic	Military	Economic	Military
Africa	746,812	77,279	1,052,524	168,023	853,395	38,699	857,414	36,175
Asia, the Near East, and Europe	3,438,947	1,967,584	5,079,473	5,311,375	4,008,789	4,557,690	3,637,717	4,707,035
Latin America and the Caribbean	487,052	21,154	1,848,329	274,237	1,671,504	248,438	1,399,847	295,980
Total	6,738,828		13,733,961		11,378,515		10,934,168	

Notes: FY1980 and 1985 figures are actuals; FY1990 figures are estimates, and FY1991 figures are requests.

Economic aid includes development assistance, Economic Support Fund, P.L.480, narcotics aid, Peace Corps, and other economic aid. Military aid includes International Military Education and Training, Military Assistance Program, Foreign Military Financing, and other military aid.

Source: U.S. Agency for International Development, *Congressional Presentation*, Main Volume, various years.

The Administration's FY1991 Request

The administration has requested nearly $15 billion for the U.S. foreign aid program for FY1991–a 7 per cent increase over FY1990 appropriations to date (see Table 1). Forty-one per cent of the request is for international development assistance, an increase of 11 per cent over FY1990. International security assistance is up only 4 per cent but will still account for 59 per cent of total aid.

Among development programs, U.S. contributions to multilateral development banks show the biggest growth in the FY1991 request, up 18 per cent over this year's appropriations. This increased funding is necessary to meet U.S. obligations to the World Bank, the International Development Association, the Inter-American Development Bank, and the Asian Development Fund. On the other hand, proposed funding for voluntary contributions to international organizations is down 18 per cent from FY1990 spending, due to a decline in support for the International Fund for Agricultural Development (IFAD); in addition, the request for the UN Children's Fund (UNICEF) is, as usual, lower than the previous year's appropriation. Congress has always increased the amount for UNICEF above the president's requests, and this year may increase IFAD levels as well.

Funding for the Agency for International Development (AID) remains fairly stable, rising 2 per cent over last year. The U.S. Food for Peace Program (P.L. 480), continuing a downward trend begun in FY1985, will fall by 8 per cent in FY1991, although U.S. food aid tonnage is expected to rise if current commodity price projections are correct.

On the security side, the Military Assistance Program (MAP) has been phased out–in favor of Foreign Military Financing (FMF), which will increase by 4 per cent. The Economic Support Fund (ESF) grows by 6 per cent. With 18 per cent growth, the Guarantee Reserve Fund (which reimburses the Federal Financing Bank for losses or delayed payments incurred by the FMF), is the security program with the largest increase, although it is still relatively small.

Regional allocations of aid funds would remain largely unchanged from the previous year according to the president's FY1991 request (see Table 2). As they have throughout most of the 1980s, Asia, the Near East, and Europe–counted as one region by AID–will receive about three-quarters of the total regional military and economic aid funds. Because the total aid package has grown, the region's aid allocation in nominal terms has increased by about 54 per cent since 1980, with security funds accounting for most of the increase. Latin America and the Caribbean will receive about 15 per cent of total regional aid, while Africa is allocated only 8 per cent. A noteworthy trend of the 1980s was the doubling of Latin America's share of regional funding–from 8 per cent in FY1980 to 17 per cent in FY1990–while Africa's share fell from 12 per cent to 8 per cent. Over the same period, funds for Africa grew by only 8 per cent in nominal terms, while funding for Latin America and the Caribbean (most of it for Central America) shot up by 278 per cent.

Major U.S. Foreign Aid Programs

Development assistance: Economic aid extended bilaterally or multilaterally for the purpose of promoting development.
Economic Support Fund: Assistance extended to countries on the basis of special U.S. economic, political, or security needs and interests.
Foreign Military Financing: Grants and credits provided to eligible countries for the purchase of defense articles, services, and training.
Military Assistance Program: Grants provided to eligible countries for the purchase of defense articles, services, and training.
P.L.480 (Food for Peace): Food commodities given or sold to developing countries.

New Initiatives

In the FY1990 supplemental appropriations request, as well as the FY1991 request, the administration has proposed several new programs or funding initiatives. It continues the general trend of shifting resources away from functional development accounts to special regional appropriations: now, in addition to the Fund for African Development, regional programs include the Fund for Democracy for Panama and Nicaragua, Support for Eastern European Democracies, the Special Assistance Initiative for the Philippines, and the Andean Anti-Narcotics Initiative.

Panama and Nicaragua

In early March, the president announced the creation of a Fund for Democracy to assist in the reconstruction and development of Panama and Nicaragua. A supplemental package of $800 million was requested for FY1990–$500 million to support Panama's economic recovery and another $300 million for Nicaragua. An additional $200 million was requested for Nicaragua in FY1991. Funding is to come from savings in the defense budget. In April, the House of Representatives appropriated $420 million for Panama and $300 million for Nicaragua, and the Senate appropriated the same amounts on May 1. An authorization has been passed in the Senate. Ultimately, both countries are expected to receive funding near these levels.

The president had requested that the legislation be expedited so that the newly elected governments could be quickly given the economic help they need to stay in power. As of mid-May, the package had yet to pass, and critics charged that the fragile democracies were threatened by congressional footdragging. Although there is broad support in Congress for providing some assistance to Panama and Nicaragua, questions have been raised that have delayed the appropriations process. Senator Patrick Leahy (D-VT), Chairman of the Senate Appropriations Subcommittee on Foreign Operations, has expressed concern over what he perceives to be an imbalance between the large amount of funds requested for Central America and the relatively small amounts being allocated to Eastern Europe and poorer developing regions. Senate Majority Leader George Mitchell (D-ME) has attacked the request because it is not part of an overall foreign assistance strategy aimed at meeting the new foreign policy demands of the 1990s. Although he supports the administration's proposal for Central America, Senator Robert Kasten (R-WI), Ranking Member of the Senate Foreign Operations Subcommittee, has called for more funds for the entire foreign assistance program.

The Foreign Aid Budget Cycle

The foreign assistance budget is part of the federal budget submitted by the president to Congress in January of each year. The House and Senate Budget Committees divide the entire budget into major categories or functions. (Function 150–international affairs–includes the foreign aid budget.) By April 15 both the House and Senate are supposed to have passed concurrent budget resolutions, and eventually both chambers will agree on a single version, although there is no deadline for this. This final concurrent resolution is the congressional version of the president's budget.

The budget figures are then given to the House and Senate Appropriations Committees. They are not bound by the individual function figures from the concurrent resolution but do have to adhere to the total budget amount. The committees decide how much is allocated for and within each functional account, including foreign assistance and all other government expenditures. The House is supposed to complete action by June 30; there is no deadline for Senate passage of appropriations bills. Final appropriations bills are targeted to be passed by September 30, the last day of the fiscal year.

Technically, authorization bills are supposed to be enacted before appropriations. These bills, which are the responsibility of the House Foreign Affairs Committee and Senate Foreign Relations Committee, contain policy directions and set expenditure ceilings. Recently, however, it has been very difficult to secure passage of authorizations, and appropriations bills have been passed without them through the use of parliamentary waivers.

Eastern Europe

The administration is requesting $300 million for Eastern Europe in FY1991, for the promotion of democratic institutions, training and technical assistance, environmental initiatives, and traditional economic support. In 1989, Congress, in the Support for Eastern Europe Democracies (SEED) Act, provided a three-year authorization of $738 million for assistance to Poland and Hungary, which for FY1990 was funded at a level of $417.5 million. Congress is now considering legislation to expand the authorization to the other countries in Eastern Europe. The House Foreign Affairs Committee has approved legislation increasing the authority available for Eastern Europe by $425 million, for a total authorization for FY1991 of $585 million.

Support for Eastern Europe is very broad in the Congress and the administration, and congressional debate on FY1991 levels has tended to revolve around how much Congress should increase the executive request. Some on Capitol Hill have pointed out that $300 million is not a large amount of money (especially on a per capita basis) in comparison to some other U.S. regional aid recipients, such as those in the Middle East.

Not everyone favors funding for Eastern Europe beyond the president's request, however. Some argue that the countries of Eastern Europe have not yet designed new economic programs and therefore are not prepared to utilize large amounts of aid effectively. For example, the $200 million appropriated in September 1989 for the SEED Act–as part of a $1 billion multilateral effort to stabilize Polish currency–has yet to be used. Moreover, it is argued, Western Europe and Japan are also assisting Eastern Europe, reducing the need for huge U.S. flows. It is estimated that some $23 billion or more in economic assistance–including loans, trade credits, and debt restructuring–is currently available to Eastern Europe from all sources. Additional funds will be available when the European Bank for Reconstruction and Development begins operations in early 1992.[1] There is also considerable feeling that private investment may be more useful than foreign aid in these countries. However, the issue of the level of funding is more than an economic one–it is also seen as a measure of U.S. willingness to be involved, both politically and economically, in the effort to "rebuild" Eastern Europe.

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[1] Samantha Sparks, "The European Bank for Reconstruction and Development," *Policy Focus*, 1990, No. 3.

There are also questions about what kind of programs will be funded. The FY1991 request is designed basically to provide balance of payments support. There has been some criticism that not enough planning has been done to fund development projects that will sustain economies in the long run, and that environmental concerns have not be adequately addressed.

The Philippines

In FY1990 the administration launched the three-year Special Assistance Initiative to provide extraordinary economic assistance to developing countries. The Philippines has thus far been the major beneficiary of the program. For FY1990, $159.3 million (of the $200 million requested) from the Initiative was appropriated for use in the Philippines as part of the multilateral development effort underway for the Aquino government. For FY1991, an additional $200 million is requested.

While congressional support for democracy in the Philippines has not wavered, the level of funding will likely depend on the congressional view of the stability of the Aquino government, its success in promoting broad-based development, its struggle against corruption, and overall U.S.-Philippine relations, including the outcome of the current negotiations on maintaining U.S. military bases there.

Anti-Narcotics Efforts

To support the developing countries' anti-drug efforts, the administration has requested $224.4 million in economic aid and $146 million in military aid. The economic aid request is a significant increase over FY1990 appropriations of $44 million, primarily due to a new $175 million Andean Narcotics Initiative that will provide Peru, Colombia, and Bolivia with aid for crop-substitution and alternate employment programs. These countries, as well as Mexico, Ecuador, Brazil, and Paraguay, will also receive some $3 million for a special narcotics awareness education project.

On the military side, the request of $146 million is a $16 million increase over FY1990 spending. Nine million is slated for countries in the Caribbean, in addition to $137 million for the Andean countries. In Colombia, for example, these funds will be used to provide helicopters, vehicles, weapons, ammunition, and other supplies.

International Organizations

In a departure from the policy of the Reagan administration, President George Bush has requested funds to meet fully U.S. assessed obligations to international organizations, such as the United Nations and its specialized agencies. (U.S. assessed contributions to international organizations and the U.S. share of expenses for peacekeeping activities in the Middle East and Africa come not from the aid budget but from the Department of State budget.[2])

Table 3. Funds for International Organizations and Peacekeeping Operations ($ millions)

	1989	1990	1991
International Organizations			
United Nations and Affiliated Organizations	332	437	507
Inter-American Organizations	76	103	101
Regional Organizations	65	62	72
Other International Organizations	13	13	15
Total[a]	486	615	1,158
Peacekeeping Operations	141	81	247

[a] Figures do not add up, as total includes offsetting receipts and available unobligated balance from previous years.

Note: FY1989 figures are actuals; FY1990 figures are estimates; and FY1991 figures are requests.

Source: Executive Office of the President, *Budget of the United States Government, FY1991.*

The administration has requested $1.4 billion for these programs, double the funding level of FY1990 (see Table 3). The large increase is necessary because the United States has been withholding parts of these payments since 1985. Of the $1.2 billion requested for international organizations, $464 million is to cover back payments; $91 million of the $247 million requested for peacekeeping operations, will be used to meet current obligations, while $157 million is needed to meet arrears. The plan is to phase these payments over the next five years.

The Debate over Program Priorities

During the 1980s, Congress, the White House, and the special interest groups that form the core of the aid constituency repeatedly failed to reach a consensus on priorities for the program. The Reagan administration used foreign aid primarily as a tool to meet U.S. political and strategic interests as defined in the Cold War era, and the Bush administration has followed suit. Critics have charged that such an emphasis ignores other important U.S. interests in the developing countries, including economic growth and poverty alleviation, as well as the host of newer global issues–debt, the environment, drugs, and AIDS–that have emerged in the last decade. One result in the 1980s was that Congress rarely passed authorizing legislation for the foreign aid program–perhaps, it was charged in some quarters, to avoid hard choices concerning purposes and objectives.

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[2] These assessed contributions are distinct from U.S. voluntary contributions to UN organizations such as UNICEF and the UN Development Program, which are part of the aid budget.

Last year the House attempted to rewrite the foreign aid legislation; it passed a bill that, among other things, refined and reduced the number of program objectives. The Senate failed to pass the bill, and the administration clearly indicated that it was only interested in increasing its own flexibility, not in discussing overall reform. Thus, differing perspectives on the goals of foreign aid were still unresolved, even as demands on the program multiplied in 1989 and 1990. Moreover, as Soviet policy in developing countries has become significantly less threatening to U.S. interests, the Cold War rationale that has driven the aid program for over forty years has been undermined. Yet Congress and the administration seem unable to break out of the existing spending patterns.

The White House has argued that the United States has on-going programs and commitments that cannot be easily or quickly reversed. But it has been accused by Representative David Obey (D-WI), Chairman of the House Appropriations Subcommittee on Foreign Operations for one, of submitting a "status quo budget" at a time of dramatic world shifts. And the delay in funding Central America's aid package was in part a result of congressional reluctance to reformulate aid policy in a piecemeal fashion.

Despite the difficulty of expanding the aid budget, some on Capitol Hill and in the Executive Branch have suggested it. This could be done by directly increasing appropriations or, as is more frequently suggested, by devoting some portion of the so-called peace dividend to this purpose. Shifting funds from the Pentagon–considered politically impossible only a few years ago–has already been adopted to a limited extent: $140 million was recently allocated to Poland and Hungary from the defense budget, as would be the president's proposed funding for Panama and Nicaragua.

But the long-standing inability of Congress and the White House to agree on program objectives is probably more critical than the issue of aid levels. Most observers do not expect the Senate to pass authorizing legislation for FY1991, although the House may do so. But with or without legislation, disagreements over program objectives are likely to expand as the demands on the program grow, and as various constituencies gear up to present their own demands for the reallocation of existing funds or their claims for a share of any peace dividend that results from improved U.S.-Soviet relations.

Redefining the Third World

The West is under great pressure to provide financial and technical assistance to the economically troubled states of Eastern Europe. The inclusion of Eastern Europe among the ranks of aid recipients puts additional pressure on a limited amount of money available in the U.S. program. Many in the "traditional" developing countries are worried that they will lose both political and financial commitment from industrial countries as other regions are perceived to be more dynamic.

Aid to the Poorest Countries

Those concerned primarily with the development objectives of foreign assistance have argued that some share of funds freed from security aid programs or transferred from the defense budget should eventually be allocated to the poorest countries. Currently, these states are not a high priority. Under the administration's request, the United States will allocate about $0.84 per capita in development assistance, ESF, P.L.480 and other economic aid to 45 low-income countries in FY1991 (see Table 4). Forty-six middle-income countries would receive about $4.25 per capita from the United States, and two high-income countries–Israel and the Bahamas–would receive $258.88 per capita.

Table 4. Recipients of U.S. Economic Aid, by Income Category, FY1991

	Total U.S. Aid *($ millions)*	Aid Per Capita *($)*
Low-Income Countries[a]	1,381.817	0.84
Middle-Income Countries	2,568.936	4.25
High-Income Countries	1,201.200	258.88

[a] Includes India. If India is excluded, the United States provides $1.53 per capita to the poorest countries.

Sources: Agency for International Development, *Congressional Presentation, FY1991*, and World Bank, *World Bank Development Report, 1989*.

The expanded demand for aid funds has already threatened funding for poorer regions. Some $30 million of the funding for Panama in FY1990 came in part from Africa's regional budget, which the State Department argued had gone unused since 1985 and 1986. Congress went along in the short run, but insisted that the funds be replenished. Accordingly, the FY1990 supplemental for Panama and Nicaragua includes $30 million to be restored to the African region.

Major Aid Recipients

The largest on-going commitments are aid to Israel and Egypt. Together, these countries receive over $5 billion in U.S. economic and military aid each year–38 per cent of total aid in FY1990. Until very recently, the central role played by the Camp David Accords in U.S. security considerations and the strong emotional support for Israel in many quarters have made it difficult to even discuss reallocating aid from Israel to other countries and programs. It is perhaps a measure of how truly remarkable the current demands on foreign assistance are that some guarded discussion of this issue has begun.

Early in 1990, Senate Minority Leader Robert Dole (R-KS) proposed that the United States reallocate foreign aid to meet changing international responsibilities. Noting that a 5 per cent cut in aid to the biggest U.S. aid recipients–Israel, Egypt, the Philippines, Turkey, and Pakistan–would provide about $330 million, he urged that all programs for specific countries be cut by 5 per cent. He projected that about $400 million would then be available for use in other global trouble spots.

Not surprisingly, the Dole proposal stimulated considerable discussion. Previous administrations have sought greater foreign policy flexibility and an end to the earmarking of foreign aid funds; the Bush administration is no different, but it has shied away from naming which, if any, countries' funds might be cut.

The Earmarking of Funds

In the 1980s, legislative mandates increased as tensions rose over the program's priorities and funds grew scarce. Funds were earmarked for individual countries, as well as for specific programs or purposes, such as private voluntary organizations, cooperatives, the environment, child survival, and combating AIDS. In FY1985, about 10 per cent of development assistance was earmarked; in FY1989, 49 per cent was tagged for a specific purpose. Aid from the Economic Support Fund is even more restricted; by FY1989, 98 per cent of all ESF was earmarked, up from 66 per cent in FY1985.[3]

The administration argues that such congressional action sharply curtails its ability to respond to rapidly changing world events. Many in Congress reply that earmarking is the only tactic they have to make the administration pay attention to congressional wishes with respect to foreign policy questions. Congress also uses earmarks to respond to the special interest groups that are an important part of the aid constituency.

The Food for Peace Program

The administration has requested $898 million for the U.S. Food for Peace Program (P.L. 480), through which the United States sells or gives food to developing countries.

As it reviews P.L. 480 this spring as part of the 1990 farm bill, Congress is considering a range of changes and reforms.[4] Perhaps most important is the relative weight that should be assigned to each objective of the program. There has always been an internal tension between providing food on the basis of nutritional need versus the other goals of the program–disposing of surplus commodities, expanding markets for U.S. exports, and promoting U.S. political interests.

The Senate Agriculture Committee, chaired by Senator Patrick Leahy (D-VT), initiated the review process. The committee's proposed legislation, the Agricultural Development and Trade Act of 1990 (S.2328), places a greater emphasis on the humanitarian objectives of the program. For example, it provides grant aid under a part of the program that previously offered only loans and, for the first time, limits eligibility for grants to countries that meet certain poverty criteria–$545 per capita GNP or unacceptably high infant mortality rates or low calorie consumption levels, as determined by the AID administrator. These countries would also be eligible for some forgiveness of debt incurred under past P.L. 480 programs. A new program, Food for Freedom, would allow the president to use the Commodity Credit Corporation to donate food and up to $100 million to cover expenses to aid newly emerging democracies.

The House Agriculture Committee and the House Foreign Affairs Committee are considering less sweeping changes to P.L.480, so the future of S.2328 is uncertain. Final action on the farm bill, which will include any changes to the food aid program, is expected in the summer of 1990.

Conclusion

Any major reformulation of U.S. aid policy requires leadership by the administration and by both houses of Congress. There is widespread criticism that the U.S. foreign aid program has no overall vision and is substantively and quantitatively inadequate for the needs of the United States and the recipient countries in the 1990s. Yet there seems to be no consensus on the part of Congress or the administration on undertaking the fundamental reforms required by changes in the international arena. Until this situation is modified, the program is likely to continue in its present form and to reflect the politics and knowledge of the 1960s and 1970s, rather than the dynamic realities of the 1990s.

Christine E. Contee and William E. Hellert
Overseas Development Council
May 1990

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[3] House Committee on Foreign Affairs, "Background Materials on Foreign Assistance," Report of the Task Force on Foreign Assistance to the Committee on Foreign Affairs", Washington, D.C., 1989, p. 191.

[4] See Raymond Hopkins, "U.S. Food Aid in the 1990s," *Policy Focus*, 1990, No. 1.

OVERSEAS DEVELOPMENT COUNCIL
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November 9, 1988

The Honorable Lee Hamilton
The Honorable Benjamin Gilman
U.S. House of Representatives
Washington, D.C. 20515

Dear Lee and Ben:

I am pleased to submit the first of two sets of studies prepared by the Overseas Development Council at the request of the Task Force on Foreign Aid Review. The enclosed papers focus on the policy environment in the 1990s and its implications for U.S. development cooperation, U.S. coordination of international economic and development policies, international donor coordination, and building an American constituency for development assistance.

In several weeks, you will be receiving additional background papers on creating a new development fund for capital projects as part of the U.S. bilateral aid program, on Congressional organization and U.S.-Third World relations, and on the bilateral aid programs of other donor countries.

The authors of the enclosed studies have made their own recommendations on the policy issues they address. Following are my own conclusions on these issues; they are not necessarily shared by all of the authors, nor by the Board or staff of the Overseas Development Council.

1. The radically different policy environment of the next decade creates an imperative for fundamental redesign of existing U.S. programs of development cooperation.

The choices for the United States are more complex than ever before because there is no single overarching U.S. interest in the developing world; rather there is a multiplicity of interests--complex, overlapping, often even conflicting. These interests have to be sorted out in a policy environment that is considerably changed. Following is a summary of some of the key changes, spelled out in greater detail in my own paper which is attached.

* Although the U.S. economy remains very powerful in relative terms, it is no longer the world's dominant power. The need to deal with budget and trade deficits means that new initiatives will be severely constrained in the near term. Renewed growth in U.S. export markets in the developing countries is essential, if the next administration wants to end its first term with a merchandise trade deficit that is manageable.

* Despite considerable economic and human progress over the past four decades, development prospects in the 1990s for much of the developing world, East Asia excepted, are gloomy, and the human and political costs of a decade of recession are mounting. At the same time, it should be recognized that many countries now have their own capacity to plan and implement development programs, including conducting a different and more equal relationship with aid donors.

* New Soviet policies may reduce threats to American interests in the Third World and open diplomatic possibilities to reduce tensions.

* Private capital flows to the Third World, which grew rapidly in the last decade, have evaporated in the 1980s. The industrial countries are now receiving more in repayments on past loans than they are providing in new lending, and financing for development is totally inadequate to needs and opportunities.

* Aid flows from other donors are increasing, and the United States' leadership position in the field is eroding. The Japanese are about to surpass us as the largest provider of official development assistance in absolute terms.

* A "global agenda" of interrelated problems--chief among them poverty and environmental degradation--has joined growth, debt and adjustment as central issues on the North-South agenda.

2. U.S. policies towards the developing world should concentrate on the address of these central, common problems of economic growth, poverty and evironmental sustainability.

* Renewed growth in major areas of the developing world is essential if development progress is to be resumed and will be a very important element in creating export markets essential to reduce the current U.S. trade deficit. To achieve this goal, the United States must cut its own twin deficits which threaten global prosperity; support international efforts to reverse the current negative resource transfers from developing-country debtors; and resist protectionist pressures that threaten the world trading system.

* In the decade ahead, U.S. development cooperation programs should focus on critical interrelated global problems, particularly eliminating global poverty and sustaining the earth's fragile environment.

* Military and political concerns, which now dominate the U.S. aid budget, need to be put in perspective, and balanced against the growing U.S. economic security interests in sustainable growth and progress in the developing world. Indeed over the longer run, U.S. security would be enhanced by addressing global poverty and environmental sustainability.

3. New policies require a new organization for U.S. development cooperation.

* The decision on the location for coordinating overall international economic policy should precede any decisions on the structure for development cooperation. There are three alternatives: the Treasury Department, the State Department, and the White House (or, more broadly, the Executive Office of the President). As pointed out in the attached paper by Maurice Williams, there are significant advantages to selecting the White House as the central point to advise the President and coordinate policy. Experience has demonstrated that only the White House can effectively coordinate policy, as no department will

willingly cede or share authority. Moreover, as international economic policy becomes a highly political issue, only the White House has the political authority to broker out the inevitable conflicting domestic interests.

The design of a White House structure for coordinating all international economic policy is obviously the perogative of the incoming administration. But it should be sensitive to development issues, and include all government agencies that impact on the progress of the developing countries. As the Williams paper indicates, these issues could be the responsibility the NSC, or of a separate NSC-like structure. Like the NSC at its best, this White House structure would present the President with the range of options on international economic and development policy issues, and their implications for the United States and its relations with other countries.

Coordination of overall policies on two major programs--the multilateral development banks and the PL 480 program--should be moved into the new White House structure. The Departments of Treasury and Agriculture should continue to play their current active roles in respect to these two programs but the programs engage a broad array of U.S. policy issues that need to be better coordinated with overall foreign economic and development policies.

* A new development cooperation entity should replace both AID and IDCA, incorporating the remaining strengths of both. It should be an independent sub-cabinet agency. Its head would be a full member of the White House coordinating group.

The entity needs three capabilities:

i) A highly competent analytical staff to weigh in on the development impact and implications of broader economic policies, particularly in the areas of trade and finance but also in environmental questions, and how the U.S. helps to build self-sustaining capacities within developing countries. This capacity is particularly important in relation to the multilateral development banks, which will have to play a even larger role in the 1990s than in the past. Development input into U.S. policies towards these institutions will be very important to meet a range of U.S. interests. Similarly, input into decisions on trade policy will be important. This staff would be the policy "brain" of the new entity and would act as the development advisor on overall policies to the White House coordinator.

ii) A small staff to work cooperatively on major global problems, particularly with the middle-income countries which do not receive U.S. development assistance. This staff would stimulate the establishment of joint programs between developing-country and U.S. institutions, particularly focussed on helping to link advanced developing countries with development in the poorer countries. Science and technology would receive particular priority.

iii) A capacity to implement projects in the low income countries, including a field presence in the poorer developing countries, with a particular emphasis in Sub-Saharan Africa, the Caribbean and Central America. (As the forthcoming paper on other bilateral donors will point out, it is ironic that AID's widely respected field staff has been cut due to financial pressures at a time when other key donor countries are making efforts to decentralize their own operations.)

We believe that this new entity could be smaller and leaner than the current AID. But improved operating efficiency and reduced staff will depend in part on reducing the reporting requirements and congressional micro-management of the development program. (As you have commissioned a separate study of these issues, we have considered no specific measures to achieve this.)

The new entity would focus its programs on the address of a limited number of specific global problems, seeking to provide U.S. leadership in a concerted international effort by developed and developing countries to attack poverty and sustain the environment. It would be helpful to focus U.S. programs on internationally formulated and agreed upon goals for achievement by the end of the century to give focus to the programs and to attract public support. Possibilities include: food security and the significant reduction of chronic hunger, primary health care for a majority of the world's people on a sustainable basis, literacy for the new generation of children without discrimination on the basis of sex; halving existing high population growth rates; helping to build capacity in the developing countries to adapt and to utilize for their own needs revolutionary scientific and technological developments; and institutional development, education and training to improve the capacity of developing countries to better manage their own natural resources.

A concrete problem-solving mode of operation is important because U.S. resources are limited and represent a declining proportion of larger aid flows from other donors, and because developing countries themselves have acquired the competency to implement their own development choices.

U.S. leadership and leveraging on selected global problems would be a key element in the new organization's strategy both in the field of direct development cooperation and well as on broader international economic policies. As detailed in the attached paper by David Shear, much stronger leadership on donor coordination will provide the United States with greater influence on the amount and direction of resources provided, as well as on the content of programs of other donors and the multi-lateral development banks. In addition, decisions on broader economic issues, such as changing industrial country policy on textile or agricultural trade, would benefit development much more than any direct aid policy.

It would make sense to move responsibility for the UN development agencies from the State Department (which has little development expertise) to the new entity in order to increase U.S. influence and leverage and to relate these programs to U.S. development programs and objectives. (It also will be important to reverse the current negative stance towards these agencies.) Close links would also be maintained with the African Development and Inter-American Development Foundations, and with the Peace Corps.

Staffing of the new entity will be particularly important. The skills needed, if it is to play the policy and analytical role suggested, are in short supply. To attract the level of personnel necessary, there will need to be a sense of excitement and challenge that has been missing from U.S. development programs for some years. The head of the new entity will set the tone; we suggest the appointment of a person of nationally recognized stature in the international field.

4. New policies and priorities would be reflected in a reallocation of available resources.

* We assume that aid levels will not increase substantially in the next two years, as the United States faces a seemingly intractible budget deficit. In the short term, therefore, the new entity would necessarily focus the resources available on poverty and environmental programs in the low-income countries. We do assume, however, that a compromise on the federal budget deficit will have to be reached in that period and that development assistance should have a strong claim on additional resources early in the 1990s. When the budget situtation improves, the development program should be expanded to increase existing programs and to handle larger capital transfer programs, aimed at building necessary economic infrastructure. (We will be sending you a separate paper expanding on this proposal.)

* Military and security assistance should be separated and assigned to the the State Department to justify and administer. (In effect, this formalizes the current practice as major decisions on military and security programs already are made by the State Department.) These programs had their origins in U.S.-Soviet tensions beginning forty years ago. The world has changed greatly since then. Some military and security assistance will always be necessary, but judgments about the use of such assistance should be carefully evaluated against the likelihood of achieving the desired policy outcome, whether it is access to a base or other facility, or supporting a particular government in power. When it is determined that these programs should have a development impact, the State Department should be authorized to request the new entity to manage programs in particular countries. Coordination of military and security assistance with development assistance should fall to the White House structure recommended above, to ensure that policy objectives and programs are consistent.

* The funds available to the new development entity should be available for use as both project and non-project support, as is now the case in the new Development Fund for Africa.

* Policy reform in the developing countries remains crucial to their growth and human progress, and the new entity should be a major source of information, analysis and advice on these issues. But policy dialogue can only be carried out effectively by the closest cooperation among donors. Reliance on

the international financial institutions will be very important if policy reform is a high priority; U.S. resources on the whole are either too small to carry influence, or are provided for political purposes (and therefore are difficult to withhold). The importance of the international institutions gives priority to ensuring a development perspective on policies toward them and in coordinating policies at the country level where the U.S. has a sizable bilateral program.

5. The new program proposed above can attract a broader constituency if it is carefully crafted.

The standard economic, political and humanitarian arguments for economic assistance to developing countries have failed to create a national constituency for the program. They have promised more than they can deliver in economic and political terms; have not demonstrated that aid effectively promotes development; and have not clearly articulated why development is beneficial to the United States. Growing U.S.-Third World interdependence offers new practical reasons for Americans to link their health, environment and economic prosperity to progress in developing countries.

Building a broadly based, involved American constituency for U.S. development cooperation activities, or the aid program in particular, will not be easy. But it is essential as the United States moves out of an era of unilateral policy control and into an era where the United States must work to exert leadership among partners. As the attached paper by Jack Hamilton explains, much more can and should be done.

* The confusing array of objectives and mandates that currently govern the economic assistance program should be replaced with a limited set of achievable goals that are clearly in the interests of the United States and developing countries. A U.S. development program that operated in a concrete problem-solving mode would give focus to the program, energize the nascent poverty and environment constituency in a way that the current program can not, and attract even broader public support.

* A near-term goal should be to broaden the attentive public by reaching organized groups for whom aid can have greater relevance. The environmental movement, minority groups, the women's movement, unions, and business groups have tremendous reach among their constituents. This power can only be tapped if the issues of development are made relevant to them.

* Americans must be better educated about development in particular and international issues more generally. Increased funding for education on international issues and for the Biden-Pell development education programs when resources are available are important steps, but not the only possible actions. Through speeches and hearings, Congress can educate, stimulate debate, and help to identify possible legislative measures. Members can also encourage philanthropic groups to make international education a priority area for their own programs. Another possibility is for Congress to require government departments and agencies to "inventory" their connections with developing countries, a

review which would draw the attention of government and the public to the importance of thinking internationally.

* The President and Congress should assume greater responsibility for educating their constituents about why Third World development is important to the United States and to their own lives and what aid can and should to do advance that process. All too often the issue is ignored by policymakers in public debate or described in negative terms with which the public is familiar. Reversing this trend may require political courage, but the debate can and must be recast.

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We believe that the information, analysis and recommendations included in these studies will make a valuable contribution to your important review of the U.S. foreign assistance program, and we are extremely pleased to be able to assist you in this process. I would also like to acknowledge the other parties that are participants in this ODC effort. Without the financial support of The Carnegie Corporation of New York and The German Marshall Fund of the United States, this project would not have been possible.

I would welcome the opportunity to discuss these ideas further with you.

Sincerely,

John W. Sewell
President

PREPARED STATEMENT OF PETER HAKIM, STAFF DIRECTOR, INTER-AMERICAN DIALOGUE

I very much appreciate the task force's invitation to testify on priorities for U.S. foreign assistance.

As I understand it, the basic question this hearing is intended to explore is whether A.I.D. should be allocating more of its resources to fight hunger and malnutrition. Given the great needs that exist throughout the world, one would have to be rather mean-spirited to respond negatively to that question. Yet simply shifting current budget allocations without reshaping the overall U.S. foreign aid effort is not likely to achieve very much. The objective of fighting hunger and malnutrition can, in my view, only be accomplished within the context of a genuine development assistance program -- and the United States has no such program.

U.S. foreign aid expenditures are by and large not motivated by developmental considerations or by concerns about human needs. If they were, aid allocations would be guided by such criteria as the specific needs of potential recipient countries; their capacities to make effective use of the aid provided; and their own national commitments to confronting poverty and malnutrition.

These, however, are not the criteria that guide the distribution of U.S. aid.

Instead, most U.S. bilateral aid is directed to three groups of countries: one group has established a strong political claim on our resources; a second is involved in one way or another in U. S.-supported military actions; the third group includes those countries hosting U.S. military bases. Key drug supplying nations now appear to be emerging as a fourth group of major aid recipients.

In each of the above cases, U.S. assistance may well be serving worthwhile purposes. But the purposes are not developmental. Neither the amount or kind of U.S. assistance depends on whether development objectives are accomplished or not, whether the poor actually benefit or not, or whether enduring improvements are being achieved or not. In some places, U.S. aid is clearly advancing development goals -- but these goals are not what fundamentally drives the U.S. foreign aid effort.

In Latin America in the 1980s, most U.S. foreign aid has been directed to Central America. In the past four years about 70 percent of U.S. aid to the Western Hemisphere has gone to the four countries -- Costa Rica, El Salvador, Guatemala, and Honduras. Together they have a population of about 20 million persons, about 5 percent of all Latin America. Again, this assistance may well have served our national interests, but it was not motivated by concern about either poverty or development.

Major U.S. aid commitments to Central America were undertaken in the early 1980s in response to the emerging threat of a guerrilla victory in El Salvador and the growing hostility between the United States and Nicaragua. The U.S. aim was to contain the Sandinistas and to defeat the FMLN rebels in El Salvador. With the exception of Costa Rica, U.S. aid to Central America was not conceived or managed in ways conducive to development or poverty alleviation.

For example, the United States has for the past four years provided some $120 million per year to Guatemala even as the Guatemalan government is unable to tax its better-off citizens to support any significant social programs. U.S. aid to El Salvador, which pays half of the country's budget, has basically supported a counterinsurgency effort, not an equitable development program. In El Salvador the United States has consistently ignored economic mismanagement and overlooked widespread government corruption in the use of aid funds. U.S. assistance to Honduras had the purpose of assuring Honduran support for the contra war against Nicaragua; that aid continued to flow throughout the 1980s despite economic policies that largely frustrated national growth.

It should not be surprising that U.S. aid to Central

America, again except in Costa Rica, has contributed very little to longer-term development or anti-poverty efforts. The aid may have helped protect U.S. security interests, and it may even have served important short-run humanitarian purposes -- but it has not made much of a dent in the region's endemic poverty or help set the stage for longer-term growth.

There is little doubt that the United States could significantly expand its contribution to international development and the alleviation of poverty, malnutrition, and hunger. The best way to do so, in my view, would be to establish a new program that is clearly dedicated to developmental aims. Under such a program, support would be restricted to countries that meet two crucial requirements: first, eligible countries must pursue sustainable, growth-oriented economic policies; without sustained growth the problems of poverty and inequity cannot be resolved or even addressed seriously. Second, the countries must demonstrate their own national commitment to addressing the needs of their poorest citizens; effective and reasonably broad-based tax systems and significant investments in social programs would be two indicators of the required commitment. Among the Latin American countries that might qualify on these criteria are Bolivia, Jamaica, Chile and Costa Rica.

The precise kinds of support that the United States might make available and what counterpart responsibilities should fall on the recipient country would have to be worked out jointly by development professionals in both countries. What will be crucial is that the United States make available sufficient resources to really make a difference, seek to reinforce direct aid with measures to foster private trade and investment, and commit itself to a time frame consistent with the development objectives sought, probably no less than eight to ten years.

This proposed program could start very small -- with one or two countries as models. As international tensions continue to relax, the initial financing might come from savings to our current aid program from cut-backs in security assistance or reduced transfers to military-base countries. Over time, however, I would hope the United States would begin to expand its overseas development financing -- which is now the lowest, as a percent of GNP, of any major industrial country in the world.

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Peter Hakim is the staff director of the Inter-American Dialogue. He was previously a vice-president of the Inter-American Foundation, and a program officer in the Ford Foundation's Office for Latin America. He writes frequently on U.S.-Latin American relations and on Latin American development issues. He is the principal author of Development, Reform and Malnutrition in Chile and co-edited Direct to the Poor: Grassroots Development in Latin America.

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